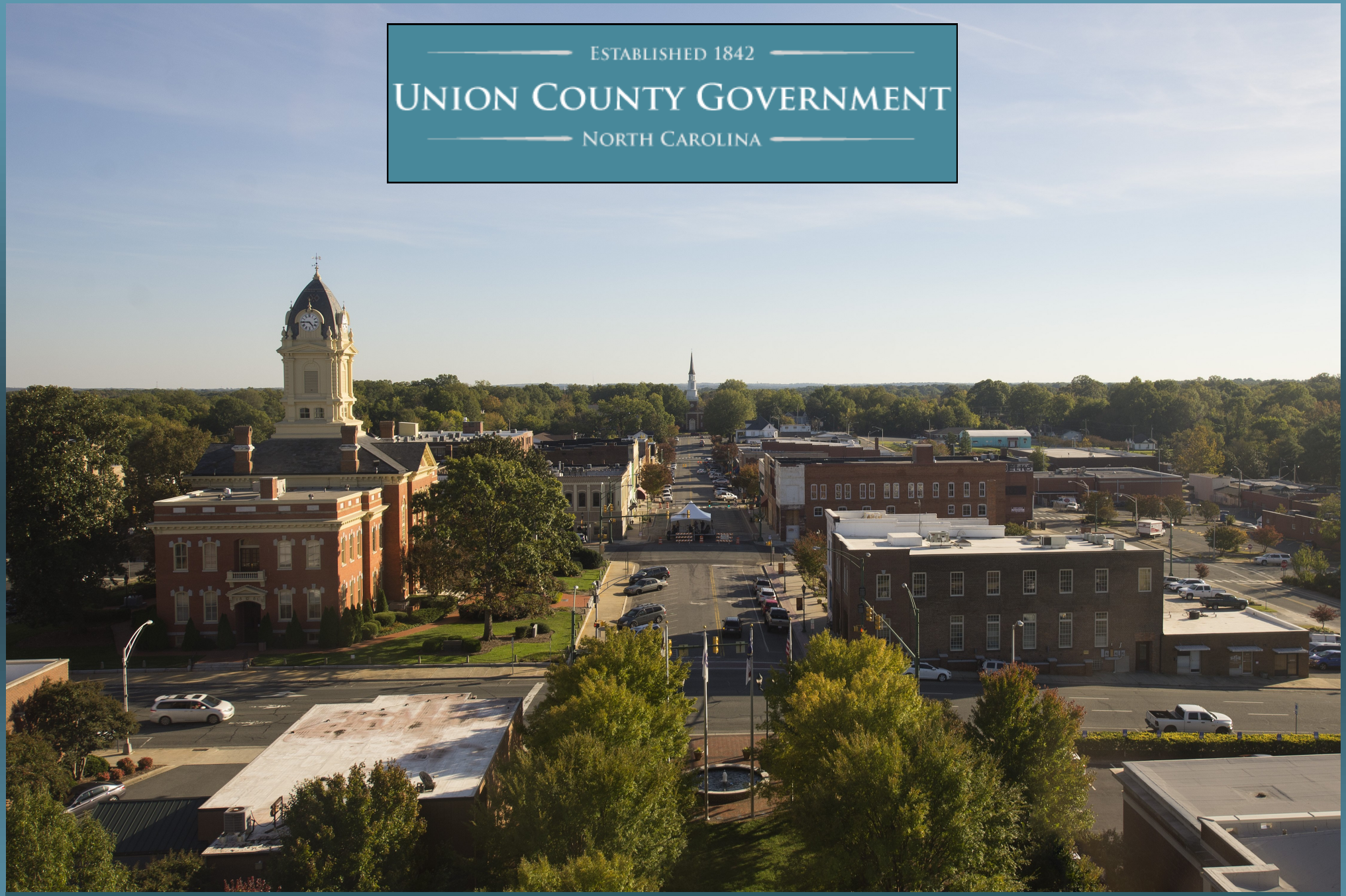
Established 1842

Union County Government

North Carolina



Building a Fiscally Sustainable Future

Five-Year Financial Projections, Fiscal Indicators, Debt & Economic Indicators, and Demand for Services Index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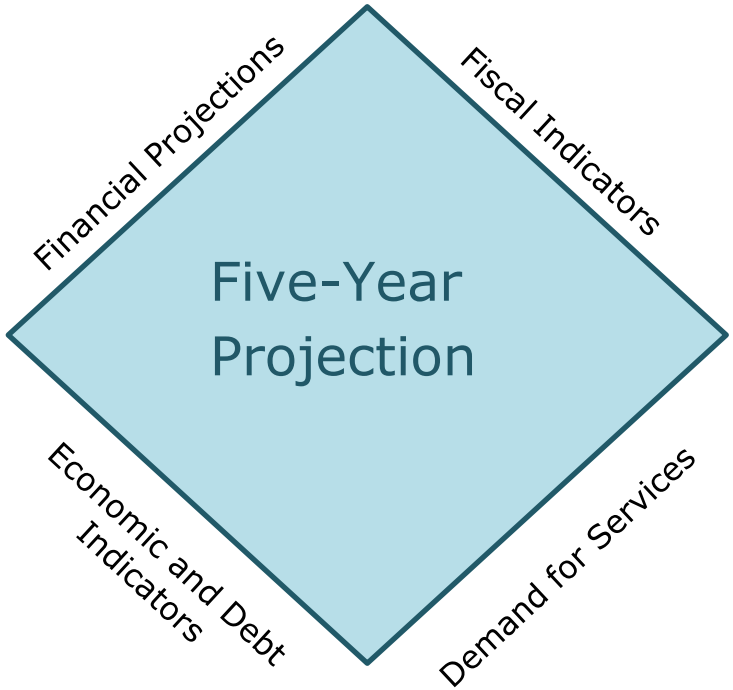
Introduction

The "Five-Year Projection" provides a snapshot into the future regarding the County's General Fund, as well as economic and demographic trends.

This report is intended to serve as decision-making base by providing a projection of the County's fiscal health and what lies ahead. Historic trends present a look at the impact of past decisions by the Board of County Commissioners and County Management; while, studying forward trends helps to estimate the future impact of current policies and financial decisions.

Traditionally, financial projections have focused on financial information; looking more at the cost drivers of services than the demand side. While this detailed cost side analysis has its merits, particularly during economic downturns, it fails to evaluate the financial health of the County or the underlying demand for County service trends.



Financial Projections offer a statistically valid projection of future costs and revenues, based on recent history. This core information provides a basis for decision making in the upcoming budget process as well as some general indications concerning the anticipated resource requirements for the future.

Fiscal indicators provide a more global look at the fiscal health of the County. The fiscal indicators use various economic, demographic, and financial indicators to establish trends. These trends in turn provide an indication of fiscal health and sustainability. Much like a thermometer provides a temperature reading, fiscal indicators provide a picture of the County's financial health.

Economic and Debt indicators provide a look at the key economic data and debt trends rating agencies consider. While the Economic and Debt indicators together provide context for the County within the region and information concerning the external forces that will impact the County; the debt indicators alone provide a clear picture of historical impact of debt on the community.

Demand for Services indexing provides a service side analysis of demand. While not comprehensive, the selected demand indicators provide an indexed look at the past demand for services. With this look at demand trends there is indication of possible future demand. Demand for Services indexes are indicative of underlying trends, and provide a directional look at service demands.

Using these four tools one can draw several conclusions or "Findings" concerning the future of finances and services in the County. It's from these findings that staff can recommend focus areas for the upcoming budget process.

This five-year projection is intended to be the starting place for the budget discussions and prompt educated discourse concerning finances, services, and policy.

The report is broken into five parts:

1) The Executive Summary provides a dashboard look at the Financial Data and Financial Projections, Fiscal Indicators, and Demand for Services, as well as the report findings and recommendations.

2) The Financial Projections provide additional financial commentary.

3) The Fiscal Indicators section provides an overview and an indicator-by-indicator analysis and explanation.

4) The Economic and Debt Indicators section provides an overview and detailed indicator-by-indicator analysis and explanation.

5) The Demand for Services index provides an overview and an indicator-by-indicator explanation and analysis.

Notes on Water and Sewer Utility Fund Projections: The projections exclude the Water and Sewer Utility Fund projection. This fund was excluded this year to allow Union County Public Works to rework their Capital Improvement Program and complete their budget process for FY 2017. It was determined that the changes made during the FY 2017 process may have significant impact on the financial projection, and as such preparing a projection based on previous year Capital plans would not accurately represent the future of the fund.

In addition, during the FY 2015 budget process the Board of County Commissioners approved a three year rate increase. During that process the fund was modeled and the rate increases set for FY 2016 and FY 2017, reducing the immediacy of the need for modeling at this early stage.

Financial Projections

General Fund Financial Projection									
Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Revised Budget	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Sources									
Ad Valorem Taxes*	$ (77,890,601)	(70,812,421)	(67,814,063)	(68,459,842)	(69,385,582)	(70,328,477)	(71,288,994)	(72,267,619)	(73,264,852)
Local Option Sales Tax	(29,449,465)	(32,108,083)	(34,518,523)	(39,561,650)	(41,901,462)	(44,381,538)	(47,010,387)	(49,797,040)	(52,751,082)
Other Taxes	(2,410,251)	(2,433,979)	(2,458,900)	(2,517,125)	(2,577,685)	(2,640,703)	(2,706,307)	(2,774,633)	(2,845,826)
Unrestricted Intergovernmental Rev.	(75,773)	(82,050)	(79,200)	(79,555)	(79,911)	(80,269)	(80,629)	(80,991)	(81,355)
Restricted Intergovernmental Rev.	(10,195,143)	(11,549,677)	(11,119,162)	(10,806,278)	(10,961,225)	(11,125,593)	(11,299,955)	(11,484,918)	(11,681,126)
Federal Grants	(14,965,362)	(15,832,246)	(13,892,525)	(13,579,007)	(13,610,650)	(13,643,720)	(13,678,280)	(13,714,399)	(13,752,145)
State Grants	(4,194,340)	(4,102,589)	(8,746,434)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)
Non-Enterprise Charges for Services	(9,428,437)	(9,407,835)	(8,820,171)	(9,165,766)	(9,530,999)	(9,917,230)	(10,325,917)	(10,758,632)	(11,217,065)
Restricted Debt Proceeds**	(5)	-	-	-	-	-	-	-	-
Investment Income	(391,543)	(140,529)	(602,400)	(608,424)	(614,508)	(620,653)	(626,860)	(633,128)	(639,460)
Other Revenue***	(7,075,905)	(7,273,116)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)
Interfund Transfers***	(1,576)	-	-	-	-	-	-	-	-
Total Sources	$ (156,078,401)	(153,742,525)	(154,789,706)	(159,919,435)	(163,803,812)	(167,879,972)	(172,159,118)	(176,653,149)	(181,374,700)
Uses									
Employee Compensation	$ 36,290,622	37,889,016	41,634,082	43,260,127	44,551,690	45,882,000	47,252,219	48,663,545	50,117,211
Employee Benefits	20,176,153	21,785,058	23,961,518	31,588,760	33,897,074	36,396,823	39,105,684	42,043,152	45,230,747
Operating Costs	31,944,341	30,331,207	35,860,423	36,460,072	37,522,943	38,629,937	39,783,421	40,985,911	42,240,087
Capital Outlay	1,847,330	1,433,946	2,306,036	2,449,967	2,604,316	2,769,879	2,947,518	3,138,164	3,342,821
Contracts, Grants, and Subsidies*	5,321,407	5,478,338	6,281,790	6,419,386	6,560,632	6,705,647	6,854,554	7,007,482	7,164,564
Debt Service**	47,348,878	48,336,997	47,302,278	45,945,402	45,374,136	43,970,872	40,638,016	35,552,382	34,447,438
Interdepartmental Charges	(6,034,481)	(1,691,290)	(1,984,232)	(2,039,126)	(2,095,825)	(2,154,393)	(2,214,895)	(2,277,401)	(2,341,982)
Interfund Transfer***	17,943,931	13,097,887	250,000	2,254,500	1,413,600	1,430,000	350,000	350,000	250,000
Contingency	-	-	406,800	500,000	500,000	500,000	500,000	500,000	500,000
Total Uses	$ 154,838,181	156,661,159	156,018,695	166,839,089	170,328,566	174,130,765	175,216,517	175,963,234	180,950,885
Use/(Addition) to Fund Balance	$ (1,240,220)	2,918,634	1,228,989	6,919,654	6,524,754	6,250,793	3,057,399	(689,914)	(423,815)
Sensitivity (+/-) 3%	-0.80%	1.86%	0.79%	4.15%	3.83%	3.59%	1.74%	-0.39%	-0.23%

*History Adjusted for UCPS,VFDs,& EMS/ **Adjusted for DebtProceeds***Adjusted for Hospital Lease 1x Revenue & Related Transfers

The General Fund is the chief operating fund of the County. The majority of County services are funded through the General Fund. The primary funding sources for the General Fund are Ad Valorem Taxes (Property Taxes), Local Option Sales Taxes, and funding from other governments, such as the State and Federal government. Other sources of funding include charges for services, donations, rental income, and other miscellaneous sources.

It is important to note that during the past couple of years, the Board of County Commissioners have isolated certain services into separate tax rates and funds. This shift increases transparency and accountability. To that end, the funding for Schools, Emergency Medical Services, and Countywide Fire Services are in separately listed tax rates and funds. This analysis has been adjusted to exclude these funds, and the corresponding ad valorem tax revenue, from history and provides an apples to apples comparison.

The General Fund Financial Projection is based on an analysis of historical trends, current trends and realities, and known cost drivers. The "Revised FY 2016" reflects the amended budget through December 31, 2015.

General Fund Trend & Analysis

During the projection period, FY 2017 through FY 2020, the general fund is projected to experience operating deficits, with the final two years, FY 2021 and FY 2022 experiencing surpluses. With this split in mind, through the projection window, the average deficit is projected at about $3.6 million annually.

General Fund Revenue and Expenditures				
	Revenue	Expenditures	Revenue Over/(Under) Expenditures	Variance Sensitivity +/- 3%
FY 2015	$ 153,742,525	156,661,159	(2,918,634)	-
FY 2016	154,789,706	156,018,695	(1,228,989)	-
FY 2017	159,919,435	166,839,089	(6,919,654)	-4.15%
FY 2018	163,803,812	170,328,566	(6,524,754)	-3.83%
FY 2019	167,879,972	174,130,765	(6,250,793)	-3.59%
FY 2020	172,159,118	175,216,517	(3,057,399)	-1.74%
FY 2021	176,653,149	175,963,234	689,914	0.39%
FY 2022	181,374,700	180,950,885	423,815	0.23%

During the projection window, the average revenue growth is 2.55 percent, while the average expenditure growth is 1.64 percent. This differential indicates that **using effective cost containment strategies, the general fund is sustainable within its current revenue throughout the projection window.** During the last few years, the largest portion of the growth in the general fund has come from the transfers to capital, funding for UCPS, VFDs, and growth in EMS costs. With the exception of the transfer to capital, these costs have been allocated to their own funds and tax rates.

The variance sensitivity is an indicator of the historical variance to estimated revenues and expenditures. The process of projecting revenues and expenditures yield an exact number, which in turn is exactly wrong. Historically we can expect that the original budget to actual expenditures can vary as much as three percent and not impact services or cause a funding deficit.

When the future years are evaluated and a variance of less than three percent is projected, then there is some level of assurance that the future deficits or surpluses, whichever the case may be, can be negated through policy changes and strategic budget management. If the projection is within the three percent, simply stated, there is not a structural imbalance.

General Fund - Fund Balance		
Total Fund Balance	$	77,229,210
Less: Nonspendable		(115,121)
Less: Restricted		(17,000,300)
Less: Committed		(53,982,762)
Less: Assigned		(483,151)
Appropriable Fund Balance	$	5,647,876

The Adopted FY 2015-16 Operating and Capital Budget Ordinance sets out that the General Fund reserve is twenty percent of the General Fund, the Schools Budgetary Fund, the Radio Budgetary Fund, and the Fire and EMS Budgetary Funds' Expenditures. Applying this calculation, including the other budgetary actions taken by the Board of County Commissioners, there is about $5.65 million of unassigned fund balance available for appropriation, as of January 31, 2016.

Fund balance availability is dependent on cash and investments at fiscal year-end and excludes receivables (revenue that the County may have included in budget estimates but was not available at fiscal year-end). The unassigned available amount is 3.62 percent of the total FY 2016 General Fund revised budget. The positive unassigned fund balance of $5.65 million means that the Board of County Commissioners' reserve policy levels have been met and exceeded by $5.65 million.

Schools Budgetary Fund - Fund Balance		
Total Fund Balance	$	5,012,650
Less: Nonspendable		-
Less: Restricted		(24,146)
Less: Committed		-
Less: Assigned		(3,198,873)
Appropriable Fund Balance	$	1,789,631

In addition to the General Fund - Fund balance, there is also fund balance available for appropriation in the Schools Budgetary Fund. Based on the June 30, 2015 Comprehensive Annual Financial Report, the unassigned (available) fund balance in the Schools Budgetary Fund is about $1.79 million or 1.65 percent of the total County funding provided to UCPS in FY 2016.

In both cases, the Board of County Commissioners policy indicates that these funds may be used for one-time capital or other expenditures or to reduce future debt. These resources, particularly the Schools Budgetary Fund, will be evaluated as possible funding sources during the development of the FY 2016-17 budget process. However, they are not included in the projections at this point.

Conclusions

Given the information provided, there are several conclusions that can be drawn:

- ✓ The General Fund will continue to see moderate growth in both revenues and expenditures. The key fiscal policy of using effective cost containment strategies, will keep the General Fund sustainable within its current revenue throughout the projection window.
- ✓ Employee Costs will continue to rise during the projection period and will become a greater portion of the total General Fund.
- ✓ The County's debt service will continue to decline with both the annually required debt service and the outstanding principal seeing significant reductions in coming years.

The projections, while providing a mixed picture, provide the County an opportunity to take corrective action, ahead of any long-term, irreversible events. The projection provides a basis for proactive decision making and reflects the need to be vigilant in the budget development process.

Fiscal Indicators

Fiscal Indicators FY 2009 to FY 2015								
Indicator	Trend	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Revenue Per Capita in Constant $		462.42	442.03	418.87	420.23	400.17	401.70	446.60
Property Tax Revenues in Constant $ in 000s		71,467	71,926	70,463	69,887	69,203	70,870	81,084
Total Expenses Per Capita in Constant $		764.09	597.12	539.06	515.94	498.15	492.67	529.53
Full-Time Equivalents Per 1,000 Population		5.12	5.06	4.86	4.70	4.78	4.70	4.70
Water and Sewer Fund Operating Position in Constant $ in 000s		10,830	11,437	11,661	11,357	11,430	12,492	14,460
Benefits as a % of Salaries and Wages		43.06%	45.67%	54.92%	61.32%	57.49%	58.52%	60.68%
Liquidity Ratio		2.95	2.98	2.64	3.50	3.21	3.28	3.01
Long Term Debt as a % of Assessed Value		2.12%	1.97%	1.85%	1.73%	1.62%	1.45%	1.34%
Population		191,514	196,322	201,292	205,717	210,410	211,539	215,956
Population Under 18 and Over 64 as a % of Total Population		40.94%	41.04%	40.41%	39.83%	39.33%	39.59%	42.54%
Public Assistance Recipients Per 1,000 Population		181.90	192.57	199.57	178.14	184.14	216.21	187.82
Top Ten Taxpayers as a % of Assessed Valuation		3.38%	3.54%	3.97%	3.48%	3.44%	3.22%	3.09%
Local Unemployment Rate		11.00%	10.10%	9.60%	8.60%	8.00%	6.20%	5.30%
Gross Retail Sales in 000s		$ 1,162,891	$ 1,076,852	$ 1,122,433	$ 1,197,951	$ 1,321,781	$ 1,460,830	$ 1,610,426

Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX
Note: Constant Dollar Adjustment Made Using BLS US City Average Consumer Price Index

Positive Trend | Neutral to be Monitored | Negative Trend

Fiscal Indicators provide a statistical means to evaluate the County's ability to, on an ongoing basis, fund its services. The most recent national recession provided a harsh reminder that counties can be impacted by changes in the national economy. The use of these indicators provides a concise glimpse into the County's ability to:

- ✓ Maintain existing service levels
- ✓ Withstand local and regional economic disruption
- ✓ Meet the changing service demands of natural growth and demographic shifts

Providing a thorough analysis of the County's financial condition is a detailed and complex process. There are a significant number of demographic and economic issues that can and do have a material impact on the County's financial performance. The use of fiscal indicators provides an organized, indicative means to sort through these factors and hone in on representative indicators. This analysis, which is taken from the *Comprehensive Annual Financial Report*, provides a "snapshot" of the financial and demographic shifts.

The chosen indicators provide information concerning a number of financial and demographic factors. For the purposes of this report, the trend in each indicator is shown by an arrow. Green arrows indicate a positive direction, orange arrows indicate instability in recent years and an ongoing need to monitor the trend, and the red arrow indicates a negative trend.

When items have been adjusted to "Constant $", they have been adjusted to the base year of the Consumer Price Index (CPI, 1982=100.00).

For these purposes the US City Average CPI is used. The use of constant dollars allows for the comparison of trends over time. It provides an "apples to apples" comparison by adjusting for inflation (CPI). It is worth noting that in previous years the regional CPI was used. The change to the US City Average CPI better reflects the intended purposes of the adjustment to constant dollars.

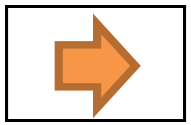
Trends and Analysis

As the dashboard indicates, eight of the fourteen indicators are trending positively, five are trending neutral and should be monitored, and one is trending negative.

To qualify as a positive trend, an indicator must show positive changes during at least the last three year period. In the prior year, there were eight positive trends as well. Based on the latest data, the number of positive trends has not changed; however, the composition has changed. The positively trending indicators are: Operating Revenue Per Capita in Constant $, Property Tax Revenues in Constant $, Water and Sewer Funding Operating Position in Constant $, Long Term Debt as a % of Assessed Value, Population, Top Ten Tax Payers as a % of Assessed Valuation, Local Unemployment Rate, and Gross Retail Sales.

In the prior fiscal year, FY 2014, Operating Revenue Per Capita was trending negatively, Property Tax Revenues, Water and Sewer Funding Operating Position, and Population, were listed as trends to be monitored. These trends have shown improvement during the last year and have produced a sustained positive trend.

A neutral trend is one that has shown both positive and negative tendencies during the last few measurement periods. These trends are indicative of a changing environment and are slightly more sensitive to changes. Because of the sensitivity to change, these trends should be actively monitored as they have the potential to become negative. In this analysis the neutral trends are: Total Expenses Per Capita, Full-Time Equivalents per 1,000 Population, the Liquidity Ratio, Population under 18 and Over 64 as a % of Total Population, and the ratio of Public Assistance Recipients per 1,000 Population.



In the previous year, Total Expenses Per Capita, Full-Time Equivalents per 1,000 Population, Liquidity Ratio, and the Population under 18 and over 64 as a % of Total Population were trending in a positive direction. However, in FY 2015 these trends took a downward turn. While concerning, there is too little trend data to indicate a negative trend. These trends should continue to monitored and evaluated.

The Public Assistance Recipients per 1,000 Population, which was on a negative trend in FY 2014, showed signs of improvement, moving to a neutral trend in FY 2015.

A negative trend is one that shows continued negative activity. In FY 2015, the only negative trend is Benefits as a % of Salaries and Wages. In the prior year, this trend was neutral, however, during the past three years; this cost has continued to increase. The negative movement in this indicator could be due to continued economic pressures in the health insurance markets, the growth in future liabilities related to post-employment benefits, and future pension liabilities.

General Conclusions

The value of the fiscal indicators is the ability to evaluate year-over-year changes in light of a dynamic economic and demographic environment. Following these general conclusions, there is a detailed discussion of each of the indicators and their specific components. While

each trend certainly warrants a deeper review, there are several conclusions that can be taken from a review of the fourteen indicators as a group. At a summary level what are these trends telling us and what does that mean for the future? The following conclusions help answer these fundamental questions:

- Although revenue related trends appear fairly strong, the expenditure related trends show equal concern. The increase in revenue is indicative of a growing economy, however in some cases there has been cost growth to coincide with the growth in revenues. Fiscal Sustainability has remained one of the Board of County Commissioners top priorities. To ensure fiscal sustainability the organization must continue to work to keep operating cost at appropriate levels while working within the limitations of the tax base of the County.

- Local unemployment continues to decline. While a positive trend, when paired with the growth in the 64 and over population, it may signal a partial reduction in the workforce. Because of this, the local unemployment rate and workforce participation rates should continue to be monitored to determine if there is a continued need to focus on Workforce Development throughout the earning years of the residents.

- The indicators of public service need, public assistance as a % of total population as well as the population under 18 and over 64, continue to show signs of concerns. These areas represent the most vulnerable of the County's residents and are indicative of populations that are generally greater users of public services. This translates into higher costs in these areas as well as an increased demand for funding from the remainder of the population.

- The debt and liquidity indicators provide mixed signals financially speaking. The debt indicator is positive, as a result of reductions in long term debt. On the other side of the equation, the liquidity ratio has shown some signs of weakness in recent years. Although the liquidity ratio continues to remain strong, it is worth noting that actively managing the County's cash, short-term investments, and the current liabilities will continue to be a focus.

Generally speaking, **the fiscal health of the County remains strong**. This assertion is supported by the upgrades of all three of the County's General Obligation Bond Ratings over the past 12 months. The County's ratings are Aaa/AA1/AAA by Moody's Investor Services, Standard and Poor's and Fitch Ratings Agency respectively. Given the number of trends that indicate a neutral trend or the need to be monitored, it appears that the current financial success of the County will only be sustained through a proactive approach to managing financial risk and continued active cost containment.

These indicators should serve as one of the many tools used to evaluate and shape financial policy for the near future. It is these policy decisions related to long-term debt, operating and capital budgets, and funding of community partners that will continue to drive the fiscal health of the County and possibly represent the greatest areas of risk.

Economic and Debt Indicators

The Economic and Debt Indicator (EDI) section represents a group of indicators that reflect not only the County, but also the regional economy. The focus recognizes the impact of the regional economic climate on the County, while the specific debt indicators further drill down to the impact of liabilities on the County.

Economic and Debt Indicators

Indicator	Trend	2009	2010	2011	2012	2013	2014	2015
Consumer Price Index - South (CY)	→	207.84	211.34	218.62	223.24	226.72	230.55	230.20
Case Shiller Index - Charlotte (CY)	↑	119.65	115.55	111.40	113.28	121.85	126.87	132.85
Consumer Sentiment Index - South Region (CY)	↑	66.27	70.58	67.14	75.25	76.64	82.80	89.60
Quick Ratio (FY)	↑	142.42%	146.33%	145.66%	252.65%	216.84%	226.11%	229.07%
Leverage Ratio (FY)	↑	263.66%	265.03%	259.71%	181.72%	189.64%	165.64%	136.69%
Debt Ratio (FY)	↑	2.60%	2.41%	2.27%	2.13%	2.00%	1.79%	1.74%
Debt Service Burden (FY)	↑	22.52%	23.51%	22.77%	22.51%	22.21%	19.47%	17.74%
Debt Per Capita (FY)	↑	3,025.62	2,817.13	2,610.45	2,421.36	2,247.34	2,085.48	1,989.28

↑ Positive Trend → Neutral to be Monitored ↓ Negative Trend

Additionally, these indicators are used by rating agencies and others in the financial community to evaluate the County as a credit entity. With that being stated, positive trends in these indicators can contribute to improved credit ratings and ultimately lower costs of borrowings. They can also serve as economic warning signs of greater economic issues in the region.

Each EDI is shown with a trend arrow. A positive trend represents multiple, recent years of improvement. A neutral trend represents minimal growth or decline, and a trend that warrants continued study and analysis. Negative trends represent multiple years of decline.

Trends & Analysis

Similar to FY 2014, the EDI analysis indicates that seven of the eight indicators are showing positive signs. The Consumer Price Index for the South, shown on a calendar year basis, is slightly decreasing; therefore it is a trend to be monitored.

Overall the County's Economic and Debt indicators provide a positive outlook. Based on this set of indicators, the County is positioned for a bright economic future.

Conclusions

The usefulness of the EDI is the year-over-year comparison and the ability to analyze the specific indicators in light of the changing economic climate. While the analysis of each indicator is useful, several general conclusions can be drawn from the EDI as a whole:

- ✓ The majority of the indicators shown provide a positive trend, and as such, indicate that the region is growing economically stronger and that the County's debt and financial position are improving.
- ✓ Inflation is a significant concern. While the County cannot control inflation, as an indicator, it can demonstrate significant issues in both government operations and revenue.

- ✓ The County's debt burden continues to decline, reducing the debt burden on the individual tax payer. This is a positive sign, but if a bond election is undertaken, this trend will change.

Based on the EDI, there are signs of positive growth. Despite the positive trends, the County should continue to vigilantly monitor these indicators. An understanding of these trends and their tie to the financial health of the County should undergird any financial policy or decision made in the near future.

Demand for Services Index

Demand for Service Index (2008=100.00)							
Indicator	Demand Units						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Library Visits - Physical and Virtual Per Capita	51.61	59.74	85.44	61.00	59.59	55.17	55.75
Index	97.35	112.69	161.16	115.07	112.40	104.07	105.15
Average Daily Membership Per 10,000 Population	2,013.12	2,005.18	1,982.20	1,927.60	1,912.84	1,939.12	1,912.24
Index	98.93	98.54	97.41	94.72	94.00	95.29	93.97
Social Services Client Visits Per 1,000 Population	276.50	280.67	281.19	281.87	272.57	235.05	225.91
Index	113.45	115.16	115.37	115.65	111.83	96.44	92.69
Health Department Client Visits Per 1,000 Population	165.76	187.74	128.70	116.03	120.25	104.99	98.52
Index	104.14	117.95	80.86	72.90	75.55	65.96	61.90
Water and Sewer Accounts Per Capita	0.3540	0.3507	0.3476	0.3482	0.3515	0.3625	0.3638
Index	96.99	96.08	95.25	95.41	96.30	99.32	99.69
Billed Daily Water Consumption in 000s Gal/Per Capita	0.0455	0.0487	0.0502	0.0474	0.0451	0.0466	0.0498
Index	83.84	89.63	92.34	87.26	83.12	85.83	91.72
EMS Calls Per 1,000 Population	81.38	84.18	86.64	88.25	89.39	89.61	84.30
Index	95.57	98.86	101.74	103.64	104.97	105.23	99.00
EMS Transports Per 1,000 Population	56.97	59.02	60.63	61.23	61.31	59.28	63.26
Index	96.36	99.81	102.55	103.57	103.69	100.26	107.00
Building Permits per 10,000 Population	111.43	103.76	86.79	100.19	125.47	174.20	171.15
Index	65.34	60.84	50.89	58.75	73.57	102.14	100.35
Sheriff Calls for Service per 1,000 Population	496.95	541.10	551.63	543.78	443.83	636.03	605.97
Index	136.60	148.73	151.63	149.47	122.00	174.83	166.57
Population in 000s	191.51	196.32	201.29	205.72	210.41	211.54	215.96
Index	105.02	107.66	110.38	112.81	115.38	116.00	118.42
Demand Units	3,445.62	3,518.10	3,464.90	3,386.07	3,296.04	3,505.40	3,433.47
Index	102.78	104.95	103.36	101.01	98.32	104.57	102.42

The Demand for Services Index (DSI) provides the County with an understanding of the changing needs of the residents. The DSI provides a means to analyze the growth of usage of ten specific services, while adjusting for population growth. In addition, the demand index includes a general population indicator.

The goal of the DSI is to provide a proxy, or a group of specific data points that can serve as a general indicator, when taken together to provide an aggregated indication of total service demand. This aggregated indication, represented in "Demand Units" provides a directional indicator of the changing demand for all County Services, and as such can be useful for understanding and planning future services and their possible resource needs.

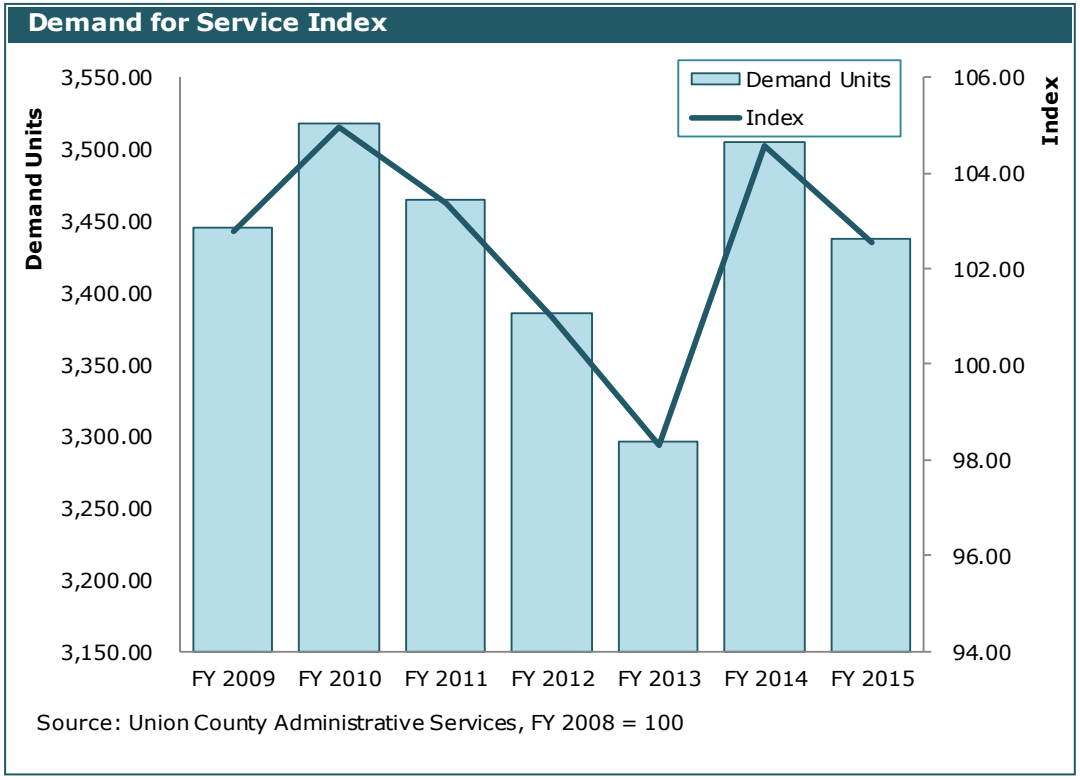
The DSI works using specific indicators and then adjusted for changes in population. While the previous indexes analyzed raw data as an indicator, the latest iteration has been revised to more accurately reflect the indicators impact on demand. In the DSI, the higher the demand units the greater the draw on resources that indicator is. For the purposes of the DSI, the ten indicators have been placed into three impact categories:

- Per Capita – When indicators are adjusts to per capita (meaning for each person), the adjustment serves to accurately reflect the individual demand created by each unit. Per capita indicators, while high volume in nature, do not incrementally increase the resource demand. However, a higher per capita indicator does demonstrate a higher level of demand for resources.
- Per 1,000 Population – When indicators are adjusted to per 1,000 population, the individual demand unit has a greater impact on resources.
- Per 10,000 Population – When indicators are adjusted to per 10,000 population, the individual demand unit has the greatest impact on resources.

The additional indicator, population, provides a general indicator of population growth. While the first ten indicators are service driven, the population indicator acknowledges the general demand on resources that population increases bring. Adjusting the first ten indicators for population, as mentioned, provides a means to establish the underlying demand changes in service, not necessarily driven by population increases.

Demand units indicate absolute demand, the index provide analysis of demand over time. The DSI uses FY 2008 as the base year, or as 100. For example as the index changes, to 102.42, there has been a growth of 2.42 percent in demand for that particular service.

Trends & Analysis



As the table on the previous page indicates, overall demand has grown by 2.42 percent since FY 2008. A more detailed analysis indicates that during the height of the latest recession, considered by most to be FY 2010, the index indicates the greatest demand on services. In FY 2010, the index grew to 104.95, driven largely by increases in Social Services Client Visits, Health Department Client Visits, and increased Sheriff Calls for Services. In addition, the Library Visits experienced a spike in FY 2011.

By FY 2013, the DSI saw its lowest point at 98.32. This reduction in the DSI mirrors the economic recovery. As with the spike, the declining demand is reflected by reductions in Average Daily Membership at UCPS, declining Billed Water Consumption, declining Health Department Client Visits, and other indicators.

Another aspect of the DSI to consider is the Full-Time-Equivalent or FTE index. This index measures the number of County employees during the measurement period. When taken in conjunction

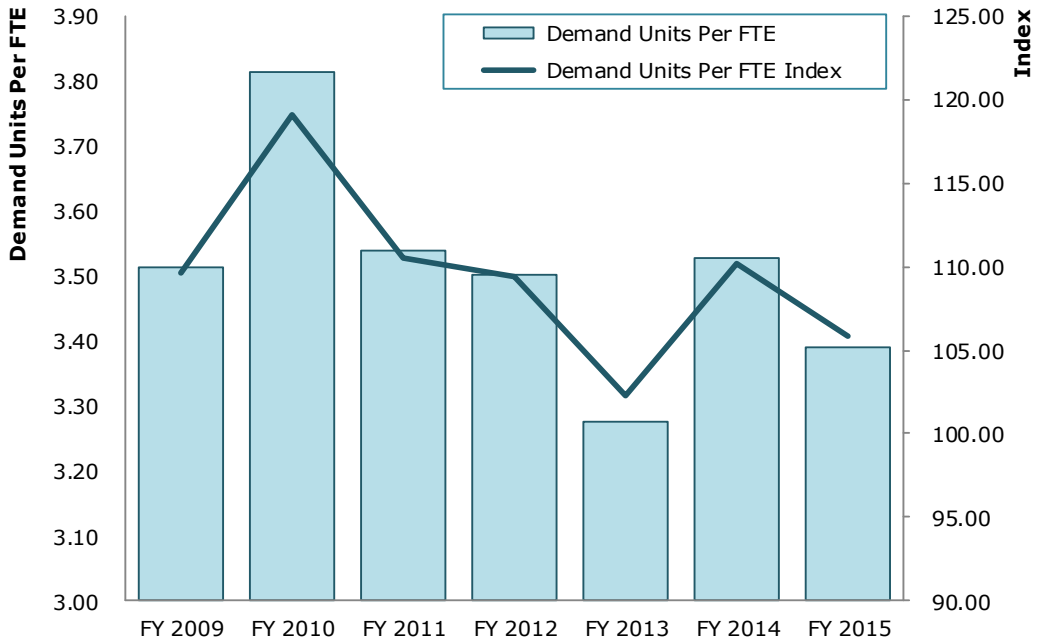
with the DSI, the data provides a measure of the service demand placed on each FTE.

Full-Time Equivalent Index							
Indicator	Demand Units						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FTE	981.10	922.70	979.20	967.00	1,006.10	993.36	1,014.00
FTE Index	93.71	88.14	93.53	92.37	96.10	94.89	96.86
Demand Units	3,445.62	3,518.10	3,464.90	3,386.07	3,296.04	3,505.40	3,433.47
Demand Units Per FTE	3.51	3.81	3.54	3.50	3.28	3.53	3.39
Demand Units Per FTE Index	109.68	119.07	110.51	109.35	102.31	110.20	105.74

This service demand can demonstrate a greater stress on each FTE to deliver service or a measure of increased efficiency. A deeper analysis would indicate that in some cases, there are efficiencies; however, often there is an increasing stress on County positions to deliver a greater level of service. In addition to a measure of stress, the Full-Time Equivalent Index measures the capacity of the County to provide the services.

As the table indicates, since FY 2008, the County has experienced 3.14 percent reduction in FTE, with an index of 96.86. Keeping in mind during this same period, there was an increase of 2.42 percent in the demand for services.

Demand Per FTE Index



Source: Union County Administrative Services, FY 2008 = 100

Considering this growth in demand, with the decline in FTE, the Demand per FTE Index indicates that there is a 5.88 percent increase in the demand per FTE.

As with the demand index, the height of demand can be seen in FY 2010, when there was the greatest demand on County Services, with the lowest FTE index, of 88.14 coming in FY 2010. Putting this analysis in context, the County was providing 4.95 percent more services, with almost twelve percent less FTE's. This is further indicated by the Demand Units per FTE in FY 2010 with an index of 119.07, or an increase of nineteen percent from FY 2008.

There are several observation concerning demand per FTE that can initially be made. The first observation is that while demand is up, the County is providing services at a high efficiency rate. A Demand per FTE Index below 100 would indicate excess capacity, however given the 105.74 index, the County's FTE are operating beyond their FY 2008 capacity, indicating efficiencies in operations.

The second observation, and perhaps a warning trend, is the growth in the Demand per FTE. While this can indicate efficiency, it can also indicate a further need for analysis. When the delivery demands on employees regularly go beyond the capacity to deliver, the organization is placed in a higher level of risk.

Conclusions

The Demand for Services Index is indicative of the current trends in service delivery and while individual trend analysis provides some insight, the index is designed to be considered as whole. As such, the index provides a year-over-year snapshot of the trends in demand.

With this in mind, there are several general conclusions that can be drawn from the index:

- ✓ During the index period, since FY 2008, the demand for services has increased by 2.42 percent. While during the same period, the population has increased by 18.42 percent. This would indicate that the largest driver of the increasing demand for services is the population growth, which during this period averaged about 2.63 percent annually.

- ✓ The largest single area of growth continues to be Sheriff Calls for Service per 1,000 Population, which has increased by 66.57 percent during the indicator window.

- ✓ Demand is increasing, however, given the economic recovery; the demand for public services has seen a decline. If this trend continues, there will be minimal growth in demand, largely driven by the growth in population, versus a growth in demand of existing residents.

- ✓ The FTE Index in FY 2015 was 96.86, indicating that the County has reduced FTEs, however, the County continues to provide increasing levels of service. Staffing levels should be monitored to ensure sufficient staffing in the appropriate areas is maintained to deliver the needed services, as well as address possible areas of risk.

- ✓ The demand per FTE index of 105.74 indicates that the County has experienced some stress on its service delivery capacity. While it is almost certain that efficiencies have been obtained to ease the stress, a further analysis and possible future discussion of service levels may be necessary.

General Conclusions

For the purposes of this report, the conclusions answer the "so what?" question. All of the information included is informative and meaningful, but what does it mean for policy makers and management? Given the data provided in the projections, the fiscal indicators, and the demand indicators, there are some key findings that can be surmised:

- ✓ Generally speaking, if the cost of services and government are maintained within the revenue growth, without the addition of significant debt or additional costs, General Government tax rates should remain fairly stable into the future. The caveat to this is with the addition of new debt and significantly increased costs will necessarily result in additional rate increases.

- ✓ Funding for Emergency Medical Services, Volunteer Fire Departments, and Union County Public Schools will be dependent on their individual needs. In recent years, these areas of cost have grown at a faster pace than the growth in the ad valorem tax base. This trend, once their budget request are known, will be one to monitor and will require a strategic approach.

- ✓ The Demand for Services Index provides a glimpse into the needs of the community. In this case, the index indicates that the service demand is returning to near FY 2008 levels. During this same period, inflation adjusted revenues per capita are down significantly, indicating that the County is providing the similar service level with lower revenue per capita.

- ✓ The demand load per FTE has grown significantly since FY 2008. While in many areas this signals improved efficiencies, in others it may signal a significant increased risk to the organization. Staffing levels in high risk areas should be evaluated to ensure demand loads are appropriate.

- ✓ The County faces a critical juncture related to its service delivery model. While the County is fiscally healthy today; the changing service dynamics, community needs, and service level expectations create significant challenges in the future.

- ✓ Growth indicators are showing signs of continued improvement, but on a limited basis. Economic conditions, utility capacity, and other issues will serve as limiters of growth. The projections indicate manageable growth; however, the larger issue is the changing service demographics in the County.

While a number of conclusions can be drawn, these foundational findings provide an indication of the policy challenges in the upcoming budget process.

Recommended Budget Focus Areas

Based on the findings and the data provided, management recommends that additional time is spent during the budget development process to focus on the following areas:

- ✓ Revenue Estimates – While historically the budget focus areas have worked on specific issues, this year, a thorough review and discussion of the revenue sources and drivers of those sources will provide an additional level of transparency to the process.

- ✓ Expenditure Drivers and Capital Planning – Much like a thorough review and discussion of revenue sources, a deeper look at the cost drivers in service delivery provides an opportunity for discussion and transparency for the public.

- ✓ Volunteer Fire Department Funding – Following the completion of the contract process and the budget submissions from the Volunteer Fire Departments, staff will conduct a thorough impact analysis by reviewing the four options provided by the stakeholders group in the Fall of 2015. Following the impact analysis staff will present the various impacts and ultimately a recommendation for the Board of County Commissioners consideration.

These items all have significant financial impacts and represent key risk areas for the County and its long-term fiscal sustainability. Because of this, it is management's recommendation that these areas take the core focus during the public budget development and workshop process.

Financial Projections

General Fund Financial Projection									
Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Revised Budget	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Sources									
Ad Valorem Taxes*	$ (77,890,601)	(70,812,421)	(67,814,063)	(68,459,842)	(69,385,582)	(70,328,477)	(71,288,994)	(72,267,619)	(73,264,852)
Local Option Sales Tax	(29,449,465)	(32,108,083)	(34,518,523)	(39,561,650)	(41,901,462)	(44,381,538)	(47,010,387)	(49,797,040)	(52,751,082)
Other Taxes	(2,410,251)	(2,433,979)	(2,458,900)	(2,517,125)	(2,577,685)	(2,640,703)	(2,706,307)	(2,774,633)	(2,845,826)
Unrestricted Intergovernmental Rev.	(75,773)	(82,050)	(79,200)	(79,555)	(79,911)	(80,269)	(80,629)	(80,991)	(81,355)
Restricted Intergovernmental Rev.	(10,195,143)	(11,549,677)	(11,119,162)	(10,806,278)	(10,961,225)	(11,125,593)	(11,299,955)	(11,484,918)	(11,681,126)
Federal Grants	(14,965,362)	(15,832,246)	(13,892,525)	(13,579,007)	(13,610,650)	(13,643,720)	(13,678,280)	(13,714,399)	(13,752,145)
State Grants	(4,194,340)	(4,102,589)	(8,746,434)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)	(8,403,461)
Non-Enterprise Charges for Services	(9,428,437)	(9,407,835)	(8,820,171)	(9,165,766)	(9,530,999)	(9,917,230)	(10,325,917)	(10,758,632)	(11,217,065)
Restricted Debt Proceeds**	(5)	-	-	-	-	-	-	-	-
Investment Income	(391,543)	(140,529)	(602,400)	(608,424)	(614,508)	(620,653)	(626,860)	(633,128)	(639,460)
Other Revenue***	(7,075,905)	(7,273,116)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)	(6,738,328)
Interfund Transfers***	(1,576)	-	-	-	-	-	-	-	-
Total Sources	$ (156,078,401)	(153,742,525)	(154,789,706)	(159,919,435)	(163,803,812)	(167,879,972)	(172,159,118)	(176,653,149)	(181,374,700)
Uses									
Employee Compensation	$ 36,290,622	37,889,016	41,634,082	43,260,127	44,551,690	45,882,000	47,252,219	48,663,545	50,117,211
Employee Benefits	20,176,153	21,785,058	23,961,518	31,588,760	33,897,074	36,396,823	39,105,684	42,043,152	45,230,747
Operating Costs	31,944,341	30,331,207	35,860,423	36,460,072	37,522,943	38,629,937	39,783,421	40,985,911	42,240,087
Capital Outlay	1,847,330	1,433,946	2,306,036	2,449,967	2,604,316	2,769,879	2,947,518	3,138,164	3,342,821
Contracts, Grants, and Subsidies*	5,321,407	5,478,338	6,281,790	6,419,386	6,560,632	6,705,647	6,854,554	7,007,482	7,164,564
Debt Service**	47,348,878	48,336,997	47,302,278	45,945,402	45,374,136	43,970,872	40,638,016	35,552,382	34,447,438
Interdepartmental Charges	(6,034,481)	(1,691,290)	(1,984,232)	(2,039,126)	(2,095,825)	(2,154,393)	(2,214,895)	(2,277,401)	(2,341,982)
Interfund Transfer***	17,943,931	13,097,887	250,000	2,254,500	1,413,600	1,430,000	350,000	350,000	250,000
Contingency	-	-	406,800	500,000	500,000	500,000	500,000	500,000	500,000
Total Uses	$ 154,838,181	156,661,159	156,018,695	166,839,089	170,328,566	174,130,765	175,216,517	175,963,234	180,950,885
Use/(Addition) to Fund Balance	$ (1,240,220)	2,918,634	1,228,989	6,919,654	6,524,754	6,250,793	3,057,399	(689,914)	(423,815)
Sensitivity (+/-) 3%	-0.80%	1.86%	0.79%	4.15%	3.83%	3.59%	1.74%	-0.39%	-0.23%

*History Adjusted for UCPS,VFDs,& EMS/ **Adjusted for DebtProceeds***Adjusted for Hospital Lease 1x Revenue & Related Transfers

The General Fund is the chief operating fund of the County. The majority of County services are funded through the General Fund. The primary funding sources for the General Fund are Ad Valorem Taxes (Property Taxes), Local Option Sales Taxes, and funding from other governments, such as the State and Federal government. Other sources of funding include charges for services, donations, rental income, and other miscellaneous sources.

It is important to note that during the past couple of years, the Board of County Commissioners have isolated certain services into separate tax rates and funds. This shift increases transparency and accountability. To that end, the funding for Schools, Emergency Medical Services, and Countywide Fire Services are in separately listed tax rates and funds. This analysis has been adjusted to exclude these funds, and the corresponding ad valorem tax revenue, from history and provides an apples to apples comparison.

The General Fund Financial Projection is based on an analysis of historical trends, current trends and realities, and known cost drivers. The "Revised FY 2016" reflects the amended budget through December 31, 2015.

During the development of the projections, staff has made a number of assumptions concerning the growth of revenues and expenditures. Assumptions, based on analysis, form the basis for the projection. With this in mind, the following are several of the significant assumptions made concerning the General Fund:

- The County will continue to provide similar levels of services, countywide, that are currently provided. This assumption is made throughout the projection period.
- The economic conditions remain similar to current levels; periods of sustained economic growth or sustained economic downturn will impact the projections. Given the uncertainty surrounding these possibilities, the projections are based on known factors.
- Revenues have been projected given recent history and collection patterns. There are several notable exceptions to this:
    - State and federal intergovernmental revenue is projected to remain flat through the projection period. This is done based on the recent history of limited to no growth in these programs, including a number of unfunded mandates. Projecting the revenue without growth is a highly conservative approach; however in this case, staff believes this is an appropriate method.
    - Ad Valorem Taxes are estimated in accordance with North Carolina General Statutes and the FY 2017 estimated revenue is based on initial value estimates as well as the impacts of recent legislation.
- Generally, expenditures are projected to maintain an inflationary pace, growing about two percent annually. This varies on certain line-items that have specific known or estimable growth, but otherwise holds relatively true for most expenditure line items.
- Expenditures have been projected given recent history and expenditure patterns. There are several notable exceptions to this:
    - Employee compensation is anticipated to grow at roughly three percent annually. This projection makes no assumption concerning future pay for performance or additional staffing, but instead uses a proxy growth assumption for employee compensation that reflects normal growth.
    - The projections include the final year of salary increases to the Sheriff's deputies to bring them more in line with the market.
    - Employee benefits, specifically health benefits costs, are assumed to grow at eight percent through the projection window. This is reflective of the current market trends and anticipated future medical inflation. Other benefit costs have been adjusted to reflect inflation or growth in employee compensation as mentioned above. When additional information is known concerning cost growth, that information has been used.
    - Debt service assumptions are based on current agreements and costs and do not reflect additional refundings or restructurings. In addition, any assumption of new debt is estimated based on the prevailing market conditions at the time of this report. Installment financings have been included for voting machines and new tax assessment systems. Beyond these two specific projects, no new debt has been projected.

Beyond these assumptions, projecting expenditures and revenue is more art than science. Given the information available, staff has made an educated projection. These projections should be used as indicators or general direction. The decisions made going forward, both by the Board of County Commissioners, State and Federal Governments, and the County's other partners will have a direct impact on the projected outcomes.

General Fund Trend & Analysis

During the projection period, FY 2017 through FY 2020, the general fund is projected to experience operating deficits, with the final two years, FY 2021 and FY 2022 experiencing surpluses. With this split in mind, through the projection window, the average deficit is projected at about $3.6 million annually.

General Fund Revenue and Expenditures				
	Revenue	Expenditures	Revenue Over/(Under) Expenditures	Variance Sensitivity +/- 3%
FY 2015	$ 153,742,525	156,661,159	(2,918,634)	-
FY 2016	154,789,706	156,018,695	(1,228,989)	-
FY 2017	159,919,435	166,839,089	(6,919,654)	-4.15%
FY 2018	163,803,812	170,328,566	(6,524,754)	-3.83%
FY 2019	167,879,972	174,130,765	(6,250,793)	-3.59%
FY 2020	172,159,118	175,216,517	(3,057,399)	-1.74%
FY 2021	176,653,149	175,963,234	689,914	0.39%
FY 2022	181,374,700	180,950,885	423,815	0.23%

During the projection window, the average revenue growth is 2.55 percent, while the average expenditure growth is 1.64 percent. This differential indicates that **using effective cost containment strategies, the general fund is sustainable within its current revenue throughout the projection window.** During the last few years, the largest portion of the growth in the general fund has come from the transfers to capital, funding for UCPS, VFDs, and growth in EMS costs. With the exception of the transfer to capital, these costs have been allocated to their own funds and tax rates.

The variance sensitivity is an indicator of the historical variance to estimated revenues and expenditures. The process of projecting revenues and expenditures yield an exact number, which in turn is exactly wrong. Historically we can expect that the original budget to actual expenditures can vary as much as three percent and not impact services or cause a funding deficit.

When the future years are evaluated and a variance of less than three percent is projected, then there is some level of assurance that the future deficits or surpluses, whichever the case may be, can be negated through policy changes and strategic budget management. If the projection is within the three percent, simply stated, there is not a structural imbalance.

General Fund - Fund Balance		
Total Fund Balance	$	77,229,210
Less: Nonspendable		(115,121)
Less: Restricted		(17,000,300)
Less: Committed		(53,982,762)
Less: Assigned		(483,151)
Appropriable Fund Balance	$	5,647,876

The Adopted FY 2015-16 Operating and Capital Budget Ordinance sets out that the General Fund reserve is twenty percent of the General Fund, the Schools Budgetary Fund, the Radio Budgetary Fund, and the Fire and EMS Budgetary Funds' Expenditures. Applying this calculation, including the other budgetary actions taken by the Board of County Commissioners, there is about $5.65 million of unassigned fund balance available for appropriation, as of January 31, 2016.

Fund balance availability is dependent on cash and investments at fiscal year-end and excludes receivables (revenue that the County may have included in budget estimates but was not available at fiscal year-end). The unassigned available amount is 3.62 percent of the total FY 2016 General Fund revised budget. The positive unassigned fund balance of $5.65 million means that the Board of County Commissioners' reserve policy levels have been met and exceeded by $5.65 million.

Schools Budgetary Fund - Fund Balance		
Total Fund Balance	$	5,012,650
Less: Nonspendable		-
Less: Restricted		(24,146)
Less: Committed		-
Less: Assigned		(3,198,873)
Appropriable Fund Balance	$	1,789,631

In addition to the General Fund - Fund balance, there is also fund balance available for appropriation in the Schools Budgetary Fund. Based on the June 30, 2015 Comprehensive Annual Financial Report, the unassigned (available) fund balance in the Schools Budgetary Fund is about $1.79 million or 1.65 percent of the total County funding provided to UCPS in FY 2016.

In both cases, the Board of County Commissioners policy indicates that these funds may be used for one-time capital or other expenditures or to reduce future debt. These resources, particularly the Schools Budgetary Fund, will be evaluated as possible funding sources during the development of the FY 2016-17 budget process. However, they are not included in the projections at this point.

Tax Revenue & Analysis

Tax revenue comprises about 69.6 percent of General Fund Revenues. The largest portion of the tax revenue comes through Ad Valorem Taxes at about 61 percent of tax revenue.

For the purposes of the projections, Ad Valorem values are projected to increase by about 1.1 percent on real property and about 4 percent on motor vehicles.

General Fund Tax Revenue				
	Ad Valorem Taxes	Local Option Sales Taxes	Other Taxes	Total
FY 2015	$ 70,812,421	32,108,083	2,433,979	105,354,483
FY 2016	67,814,063	34,518,523	2,458,900	104,791,486
FY 2017	68,459,842	39,561,650	2,517,125	110,538,617
FY 2018	69,385,582	41,901,462	2,577,685	113,864,729
FY 2019	70,328,477	44,381,538	2,640,703	117,350,717
FY 2020	71,288,994	47,010,387	2,706,307	121,005,688
FY 2021	72,267,619	49,797,040	2,774,633	124,839,292
FY 2022	73,264,852	52,751,082	2,845,826	128,861,760

New in FY 2017 will be the impact of the "builder's inventory" exemption, which allows builders to be exempted from property taxes on improvement for homes which they are holding in inventory. The estimated impact for the purposes of the projection is about $40 million of value, however this is only an estimate as the application period is open through January 31, 2016.

Additionally, legislative changes in the allocation of local option sales taxes will have a significant impact on the amount of funding received by the County. The estimated impact of this change in FY 2017 is just under $3 million. Historically, local option sales taxes has not been sufficient to fund the debt related to UCPS facilities. However with the change and growth, along with the declining debt service, by FY 2018, sales tax is projected to be greater than debt service. In recent years, the County has experienced significant growth in this revenue. During the last five years, sales taxes have increased an average of about 6.5 percent annually.

This growth is positive given the sensitivity of sales tax to economic conditions. With the economy growing, sales taxes are projected to continue to grow by about 5.7 percent during the projection period. Although this trend is looking up, this is an area that should be monitored. Sales taxes are highly sensitive to changes in personal income and increases in the State and federal income taxes or recessionary economic pressures. Due to this sensitivity, sales taxes could be negatively impacted.

Employee Cost Trend & Analysis

Employee Costs				
	Employee Compensation	Employee Benefits	Total Employee Cost	As a % of Total
FY 2015	$ 37,889,016	21,785,058	59,674,074	38.09%
FY 2016	41,634,082	23,961,518	65,595,600	42.04%
FY 2017	43,260,127	31,588,760	74,848,887	44.86%
FY 2018	44,551,690	33,897,074	78,448,764	46.06%
FY 2019	45,882,000	36,396,823	82,278,823	47.25%
FY 2020	47,252,219	39,105,684	86,357,903	49.29%
FY 2021	48,663,545	42,043,152	90,706,697	51.55%
FY 2022	50,117,211	45,230,747	95,347,958	52.69%

One of the largest cost drivers for the General Fund is employee costs. While typically, employee costs reflect about 50 to 60 percent of an organization's cost structure, Union County has experienced significantly lower percentages.

The drivers of the increases in FY 2017 are two-fold. The first driver is the growth in employee compensation, which is modeled at three percent, but also includes the third year implementation of Sheriff's Deputy Career Development Program Plan. With these increases the projected growth in employee compensation is about $1.4 million annually.

While employee compensation is expected to continue to grow at about three percent, the costs of benefits are expected to grow at a greater rate or about 11.5 percent. Excluding the initial growth due to the OPEB contribution (discussed later), this growth amounts to about $2.8 million annually. This increase is driven by the growing cost of health insurance as well as the funding of the OPEB (other postemployment benefits).

In FY 2017, there is an estimated increase of about $6 million projected to fund the estimated annual contribution necessary to fund the actuarial accrued liability for OPEB. Other Postemployment Benefits, as defined by The Governmental Accounting Standards Board as those benefits provided to retirees, excluding pensions. These benefits are primarily, in Union County, health benefits. Each year, the County sets aside funding to this future liability based on actuarial studies that examine the retiree population, current employee population, benefits, and market conditions.

Other Postemployment Benefits Liability		
	Unfunded Actuarial Accrued Liability	Funded Ratio
FY 2010	$ 39,343,163	2.60%
FY 2011	44,256,890	4.10%
FY 2012	44,546,193	10.10%
FY 2013	41,528,877	17.80%
FY 2014	41,854,283	25.70%
FY 2015	38,291,049	31.10%

The cost of OPEB is not an immediate cost to the County, but represents a significant future liability. As the table indicates, in FY 2011 and FY 2012 this liability had grown. The Board of County Commissioner's has taken steps in recent years to limit that liability by modifying the benefits side of the equation and has continued to invest in reducing this future liability, as evidenced by the increasing funded ratio and reduced the liability.

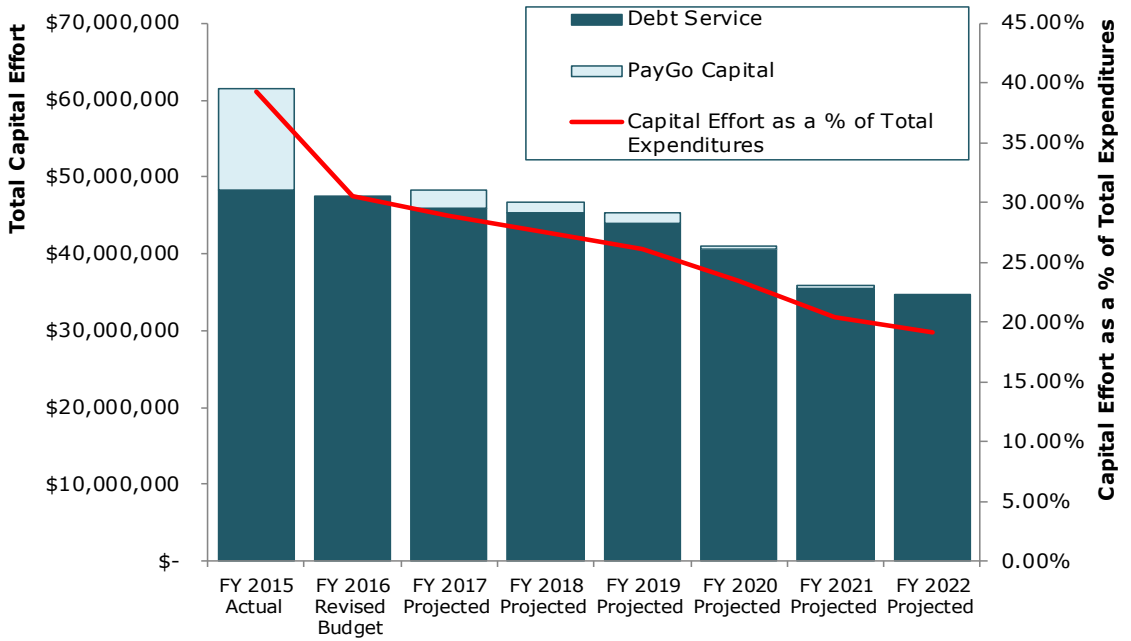
Making progress in the upcoming year, by increasing the funded ratio is a long-term strategy and will continue to build fiscal sustainability for the County.

Capital Effort and Debt Service Trends & Analysis

The County funds capital through the use of fund balance, debt, and current revenues, often referred to as PayGo funding. The primary decision for use of PayGo funding versus debt relates largely to the nature of the project and the final assets. In most cases, significant buildings are eligible for debt funding, while ongoing maintenance projects typically are funded through current operating cash.

As the table indicates, capital funding in the General Fund, largely driven by declining debt service, reaches a low of 19.18 percent by the end of the projection period. It is however important to note that the current projection does not include new bond election projects or new school projects. The only debt funding included is for new voting machines and a new tax assessment system.

General Fund Capital Effort



In FY 2017 there is funding for the Storage Area Network Replacement and the Renovation of the Sheriff's Office. Also included in FY 2017 is funding for partial renovations to Cane Creek Park facilities.

Debt Projection

	UCPS Related Debt	General County Debt	Total Debt Service	As a % of Total
FY 2015	$ 44,940,601	3,396,396	48,336,997	30.85%
FY 2016	43,990,217	3,312,061	47,302,278	30.32%
FY 2017	42,610,513	3,334,889	45,945,402	27.54%
FY 2018	41,310,933	4,063,203	45,374,136	26.64%
FY 2019	38,944,305	5,026,567	43,970,872	25.25%
FY 2020	36,928,039	3,709,978	40,638,016	23.19%
FY 2021	32,737,283	2,815,099	35,552,382	20.20%
FY 2022	31,739,727	2,707,711	34,447,438	19.04%

Union County has largely used debt to provide for the recent rapid growth in population by funding schools, community college facilities, court facilities, the Ag Center, and other law enforcement facilities. As the County ages and moves farther away from these investments, and given the declining debt service structure favored by the Local Government Commission (LGC), the County is enjoying declining debt service costs.

A deeper look at the County's debt trend presents significant signs of improvement. As the table illustrates, by FY 2020, the annual debt service for the existing debt starts to decline significantly each year.

Debt Service is estimated to decline to about twenty-percent of the General Fund by FY 2021. It is the savings, particularly in the later years of the projection, which largely mitigates the growing costs in other areas. Because of this, the declining debt service will, in future years greatly benefit the tax payer. In total, by FY 2022, it is projected that the County's debt service will decline by 27.18 percent from FY 2016, and by 62.5 percent within the next ten years. Existing debt will be paid off by FY 2033.

The County has worked diligently to modify the existing debt portfolio and position the County in the lowest risk, lowest cost position possible. To that end, since FY 2011, the County has taken part in 11 transactions which have resulted in a net present value savings of $25.69 million to the tax payers; without impacting operations, and in some cases shortening the life of the debt. The County works to continually review and modify the debt portfolio moving toward savings and taking an opportunistic approach to shifting market conditions.

Every $25 Million GO Debt at 20 Yrs.		
	Annual Debt Service	Tax Rate in Pennies to Support
FY 2018	$ 2,512,500	1.038
FY 2019	2,449,688	0.999
FY 2020	2,386,875	0.960
FY 2021	2,324,063	0.922
FY 2022	2,261,250	0.885

Every $25 Million GO Debt at 10 Yrs.		
	Annual Debt Service	Tax Rate in Pennies to Support
FY 2018	$ 3,517,500	1.454
FY 2019	3,417,000	1.393
FY 2020	3,316,500	1.334
FY 2021	3,216,000	1.276
FY 2022	3,115,500	1.219

Calendar year 2016 is an eligible year to hold a referendum concerning possible general obligation debt. Typically, projects that are new facilities or considerable expansions may be funded through 20 year debt. For every $25 million issued for these types of projects, there will be an increase of about one cent on the tax rate (note: this does not include operations).

For projects that are not new construction or considerable expansions, the Local Government Commission will more than likely limit the County to funding these expenditures through 10 year general obligation bonds. For every $25 million issued for these types of projects, there will be an increase of about 1.4 cents on the tax rate (note: this does not include operations).

The economic impact of general obligation bonds and the resulting projects are only a portion of the considerations before moving forward. The proposed projects, County, Schools, or SPCC, will be evaluated on the merit and individual need, in conjunction with the community benefits, affordability, and a myriad of other factors.

EMS Tax Rate Projection

EMS Tax Rate Revenue @ Current Rate		
	Rate in Pennies	Estimated Revenue
FY 2016	2.63	$ 6,063,154
FY 2017	2.63	6,279,054
FY 2018	2.63	6,364,476
FY 2019	2.63	6,451,474
FY 2020	2.63	6,540,091
FY 2021	2.63	6,630,371
FY 2022	2.63	6,722,361

In addition to the County Tax Rate, the Board of County Commissioners established the Emergency Medical Services Tax Rate. This rate is based on the cost of service to provide emergency medical services throughout the County. Based on the projected growth rate, the current EMS tax rate revenue will grow by an average of 1.74 percent or about $90,000 annually. The final FY 2017 rate will be determined following the FY 2016-17 budget process.

Countywide Fire Tax Rate Projection

In addition to the County Tax Rate and other rates, the Board of County Commissioners established the Countywide Fire Tax Rate. This rate is based on the cost of service to provide Volunteer Fire Department supplements and centralized cost of fire service throughout the County. Based on the projected growth rate, the current Countywide Fire Tax Rate revenue will grow by an average of 1.79 percent or about $16,000 annually. The final FY 2017 rate will be determined following the FY 2016-17 budget process.

Fire Tax Rate Revenue @ Current Rate		
	Rate in Pennies	Estimated Revenue
FY 2016	0.48	$ 1,103,220
FY 2017	0.48	1,145,987
FY 2018	0.48	1,161,577
FY 2019	0.48	1,177,455
FY 2020	0.48	1,193,629
FY 2021	0.48	1,210,106
FY 2022	0.48	1,226,895

Schools Tax Rate and Enrollment Forecast Analysis

While this projection report provides some level of analysis, it is important to note that the final Schools Tax Rate, funding for current expense, and capital funding will come from the Board of County Commissioners based on a thorough consideration of the Board of Education's funding request. The process will be focused on the determination by the BOCC of the necessary funding, when added to other UCPS resources to provide a sound, basic education.

Schools Tax Rate Revenue @ Current Rate		
	Rate in Pennies	Estimated Revenue
FY 2016	45.72	$ 105,542,922
FY 2017	45.72	109,155,273
FY 2018	45.72	110,640,243
FY 2019	45.72	112,152,616
FY 2020	45.72	113,693,137
FY 2021	45.72	115,262,575
FY 2022	45.72	116,861,729

This projection provides a snapshot of revenue produced or yielded from the current schools tax rate. Through the projection window, the estimated revenue, given the current tax rate, grows at about 1.72% or about $1.5 million annually.

As mentioned earlier in the discussion of fund balances, the Board of County Commissioners will have an additional $1.79 million of Schools' Budgetary Fund Balance that it may, at its legislative discretion, apply to one-time expenses or costs.

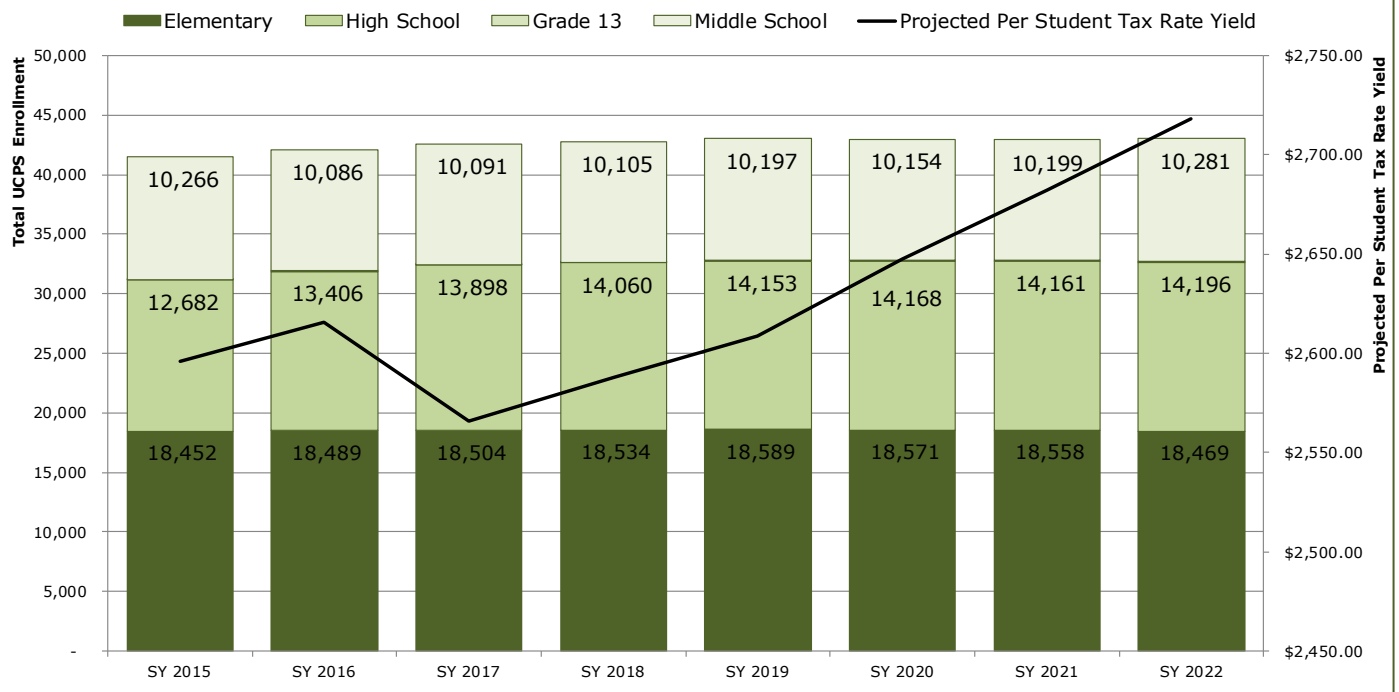
Following the budget deliberation, the Board of County Commissioner will establish the Schools' Tax Rate, this process will occur annually as part of the budget process, as prescribed in the North Carolina General Statutes.

In December of 2015, the Board of Education received its latest demographic study. This study used a number of indicators to establish forecast enrollment for Union County Public Schools.

The resulting forecast, as indicated by the table, suggests that the compounded average growth through the projection window (School Year 2016 to School Year 2022) is about .38 percent, with the peak of the growth coming in School Year 2019 and 2022. The total growth through the projection window is about 965 students with the largest growth, about 790 students, in high school. Elementary students are expected to decline by 20 students and middle school students are expected to increase by about 195 students.

When this growth is compared to the projected tax rate yield, we can establish projected per student funding. Through the projection window, the tax rate yield per student would grow a compounded average of .64 percent.

UCPS Enrollment Forecasts - November 2015 & Projected Per Student Tax Rate Yield								
	SY 2015	SY 2016	SY 2017	SY 2018	SY 2019	SY 2020	SY 2021	SY 2022
Elementary	18,452	18,489	18,504	18,534	18,589	18,571	18,558	18,469
Middle School	10,266	10,086	10,091	10,105	10,197	10,154	10,199	10,281
High School	12,682	13,406	13,898	14,060	14,153	14,168	14,161	14,196
Grade 13	50	52	52	52	52	52	52	52
Total	41,450	42,033	42,545	42,751	42,991	42,945	42,970	42,998
Projected Per Student Tax Rate Yield	$ 2,595.78	2,615.88	2,565.64	2,588.02	2,608.75	2,647.41	2,682.40	2,717.84



Source: Enrollement Forecast , "Union County Public Schools, NC Demographic Study," November 2015

The drop in tax rate yield per student from SY 2016 to SY 2017 is the result of the use of $3.2 million of Schools Budgetary Fund - fund balance. The use of fund balance is not projected into the future, but, depending on annual financial results, it will impact the projection. This analysis also excludes the funding for the UCPS related debt service or the funding for the School Resource Officers provided through the Union County Sheriff's office.

Conclusions

Given the information provided, there are several conclusions that can be drawn:

- ✓ The General Fund will continue to see moderate growth in both revenues and expenditures. The key fiscal policy of using effective cost containment strategies, will keep the General Fund sustainable within its current revenue throughout the projection window.
- ✓ Employee Costs will continue to rise during the projection period and will become a greater portion of the total General Fund.
- ✓ The County's debt service will continue to decline with both the annually required debt service and the outstanding principal seeing significant reductions in coming years.

The projections, while providing a mixed picture, provide the County an opportunity to take corrective action, ahead of any long-term, irreversible events. The projection provides a basis for proactive decision making and reflects the need to be vigilant in the budget development process.

Fiscal Indicators

Fiscal Indicators FY 2009 to FY 2015								
Indicator	Trend	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Revenue Per Capita in Constant $		462.42	442.03	418.87	420.23	400.17	401.70	446.60
Property Tax Revenues in Constant $ in 000s		71,467	71,926	70,463	69,887	69,203	70,870	81,084
Total Expenses Per Capita in Constant $		764.09	597.12	539.06	515.94	498.15	492.67	529.53
Full-Time Equivalents Per 1,000 Population		5.12	5.06	4.86	4.70	4.78	4.70	4.70
Water and Sewer Fund Operating Position in Constant $ in 000s		10,830	11,437	11,661	11,357	11,430	12,492	14,460
Benefits as a % of Salaries and Wages		43.06%	45.67%	54.92%	61.32%	57.49%	58.52%	60.68%
Liquidity Ratio		2.95	2.98	2.64	3.50	3.21	3.28	3.01
Long Term Debt as a % of Assessed Value		2.12%	1.97%	1.85%	1.73%	1.62%	1.45%	1.34%
Population		191,514	196,322	201,292	205,717	210,410	211,539	215,956
Population Under 18 and Over 64 as a % of Total Population		40.94%	41.04%	40.41%	39.83%	39.33%	39.59%	42.54%
Public Assistance Recipients Per 1,000 Population		181.90	192.57	199.57	178.14	184.14	216.21	187.82
Top Ten Taxpayers as a % of Assessed Valuation		3.38%	3.54%	3.97%	3.48%	3.44%	3.22%	3.09%
Local Unemployment Rate		11.00%	10.10%	9.60%	8.60%	8.00%	6.20%	5.30%
Gross Retail Sales in 000s		$ 1,162,891	$ 1,076,852	$ 1,122,433	$ 1,197,951	$ 1,321,781	$ 1,460,830	$ 1,610,426

Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX
Note: Constant Dollar Adjustment Made Using BLS US City Average Consumer Price Index

Positive Trend Neutral to be Monitored Negative Trend

Fiscal Indicators provide a statistical means to evaluate the County's ability to, on an ongoing basis, fund its services. The most recent national recession provided a harsh reminder that counties can be impacted by changes in the national economy. The use of these indicators provides a concise glimpse into the County's ability to:

- ✓ Maintain existing service levels
- ✓ Withstand local and regional economic disruption
- ✓ Meet the changing service demands of natural growth and demographic shifts

Providing a thorough analysis of the County's financial condition is a detailed and complex process. There are a significant number of demographic and economic issues that can and do have a material impact on the County's financial performance. The use of fiscal indicators provides an organized, indicative means to sort through these factors and hone in on representative indicators. This analysis, which is taken from the *Comprehensive Annual Financial Report*, provides a "snapshot" of the financial and demographic shifts.

The chosen indicators provide information concerning a number of financial and demographic factors. For the purposes of this report, the trend in each indicator is shown by an arrow. Green arrows indicate a positive direction, orange arrows indicate instability in recent years and an ongoing need to monitor the trend, and the red arrow indicates a negative trend.

When items have been adjusted to "Constant $", they have been adjusted to the base year of the Consumer Price Index (CPI, 1982=100.00). For these purposes the US City Average CPI is used. The use of constant dollars allows for the comparison of trends over time. It provides an "apples to apples" comparison by adjusting for inflation (CPI). It is worth noting that in previous years the regional CPI was used. The change to the US City Average CPI better reflects the intended purposes of the adjustment to constant dollars.

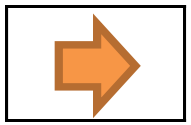
Trends and Analysis

As the dashboard indicates, eight of the fourteen indicators are trending positively, five are trending neutral and should be monitored, and one is trending negative.

To qualify as a positive trend, an indicator must show positive changes during at least the last three year period. In the prior year, there were eight positive trends as well. Based on the latest data, the number of positive trends has not changed; however, the composition has changed. The positively trending indicators are: Operating Revenue Per Capita in Constant $, Property Tax Revenues in Constant $, Water and Sewer Funding Operating Position in Constant $, Long Term Debt as a % of Assessed Value, Population, Top Ten Tax Payers as a % of Assessed Valuation, Local Unemployment Rate, and Gross Retail Sales.

In the prior fiscal year, FY 2014, Operating Revenue Per Capita was trending negatively, Property Tax Revenues, Water and Sewer Funding Operating Position, and Population, were listed as trends to be monitored. These trends have shown improvement during the last year and have produced a sustained positive trend.

A neutral trend is one that has shown both positive and negative tendencies during the last few measurement periods. These trends are indicative of a changing environment and are slightly more sensitive to changes. Because of the sensitivity to change, these trends should be actively monitored as they have the potential to become negative. In this analysis the neutral trends are: Total Expenses Per Capita, Full-Time Equivalents per 1,000 Population, the Liquidity Ratio, Population under 18 and Over 64 as a % of Total Population, and the ratio of Public Assistance Recipients per 1,000 Population.



In the previous year, Total Expenses Per Capita, Full-Time Equivalents per 1,000 Population, Liquidity Ratio, and the Population under 18 and over 64 as a % of Total Population were trending in a positive direction. However, in FY 2015 these trends took a downward turn. While concerning, there is too little trend data to indicate a negative trend. These trends should continue to monitored and evaluated.

The Public Assistance Recipients per 1,000 Population, which was on a negative trend in FY 2014, showed signs of improvement, moving to a neutral trend in FY 2015.

A negative trend is one that shows continued negative activity. In FY 2015, the only negative trend is Benefits as a % of Salaries and Wages. In the prior year, this trend was neutral, however, during the past three years; this cost has continued to increase. The negative movement in this indicator could be due to continued economic pressures in the health insurance markets, the growth in future liabilities related to post-employment benefits, and future pension liabilities.

Who Developed the Fiscal Indicators? The International City/County Management Association (ICMA) first developed the concept of Fiscal Indicators in 1980. In its fourth addition, printed in 2003, *Evaluating Financial Condition: A Handbook for Local Government*, provides a means for local government leaders to monitor their governments financial condition. This authoritative book, developed by academics, practitioners, and users, provides a menu of more than forty-two different indicators as well as interpretations of various trends and possible areas of concern. The fourteen selected for this report have been determined to be the most applicable to the County.

General Conclusions

The value of the fiscal indicators is the ability to evaluate year-over-year changes in light of a dynamic economic and demographic environment. Following these general conclusions, there is a detailed discussion of each of the indicators and their specific components. While each trend certainly warrants a deeper review, there are several conclusions that can be taken from a review of the fourteen indicators as a group. At a summary level what are these trends telling us and what does that mean for the future? The following conclusions help answer these fundamental questions:

- Although revenue related trends appear fairly strong, the expenditure related trends show equal concern. The increase in revenue is indicative of a growing economy, however in some cases there has been cost growth to coincide with the growth in revenues. Fiscal Sustainability has remained one of the Board of County Commissioners top priorities. To ensure fiscal sustainability the organization must continue to work to keep operating cost at appropriate levels while working within the limitations of the tax base of the County.

- Local unemployment continues to decline. While a positive trend, when paired with the growth in the 64 and over population, it may signal a partial reduction in the workforce. Because of this, the local unemployment rate and workforce participation rates should continue to be monitored to determine if there is a continued need to focus on Workforce Development throughout the earning years of the residents.

- The indicators of public service need, public assistance as a % of total population as well as the population under 18 and over 64, continue to show signs of concerns. These areas represent the most vulnerable of the County's residents and are indicative of populations that are generally greater users of public services. This translates into higher costs in these areas as well as an increased demand for funding from the remainder of the population.

- The debt and liquidity indicators provide mixed signals financially speaking. The debt indicator is positive, as a result of reductions in long term debt. On the other side of the equation, the liquidity ratio has shown some signs of weakness in recent years. Although the liquidity ratio continues to remain strong, it is worth noting that actively managing the County's cash, short-term investments, and the current liabilities will continue to be a focus.

Generally speaking, **the fiscal health of the County remains strong**. This assertion is supported by the upgrades of all three of the County's General Obligation Bond Ratings over the past 12 months. The County's ratings are Aaa/AA1/AAA by Moody's Investor Services, Standard and Poor's and Fitch Ratings Agency respectively. Given the number of trends that indicate a neutral trend or the need to be monitored, it appears that the current financial success of the County will only be sustained through a proactive approach to managing financial risk and continued active cost containment.

These indicators should serve as one of the many tools used to evaluate and shape financial policy for the near future. It is these policy decisions related to long-term debt, operating and capital budgets, and funding of community partners that will continue to drive the fiscal health of the County and possibly represent the greatest areas of risk.

Indicator Trends and Analysis

The indicators as discussed earlier, reflect a full dashboard to provide a global view, allowing general conclusions to be drawn. Beyond the high level considerations, each indicator provides a slice of the fiscal condition of the County. As such, the individual pieces of the whole are worth a brief analysis and discussion. The following "Indicator Trends and Analysis" provides the deeper analysis and information for consideration. This section can be consider the detailed appendix to the dashboard and should be treated as such.

Indicator: Operating Revenue Per Capita in Constant $

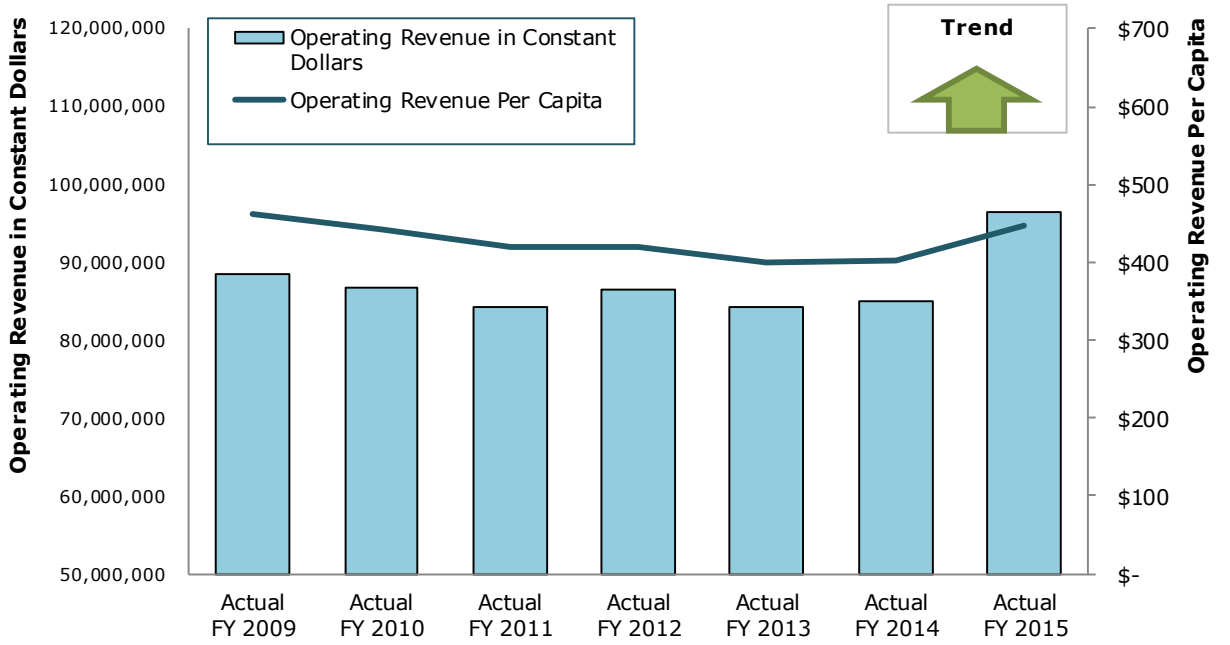
The Operating Revenue Per Capita, adjusted to constant dollars, provides an indication of the changes in revenue relative to the changes in population and inflation. In other words, the adjusted revenue per capita provides a means to look at the "true" growth in revenue, not driven by the growth in population or inflation. Adjusting net operating revenue, or revenue generated from operations, allows the analysis of the underlying fiscal trends.

Trends & Analysis

The recent historical trend is positive, however the County has just grown past the level achieved in FY 2009, when the constant dollar revenue per capita was $462.42. This indicator hit its recent low point in FY 2013 at $400.17 and has rebounded since.

Since that low point in FY 2013 however, there has been considerable growth, increasing by 11.6 percent to $446.60. In addition, analyzing operating revenues in constant dollars, we can see that there has been an increase of 8.9 percent from FY 2009 to FY 2015, this increase equates to a present dollar increase of just over $39.1 million. This increase in revenue during this window can be attributed to the increased tax rates, improving sales tax collections, and a generally improving economy. It is worth noting, that for the purposes of analysis, the one-time $54 million revenue from the hospital lease in FY 2012, has been adjusted out. If this one-time extraordinary item were not excluded, it would skew the underlying trends and overall analysis.

Operating Revenue Per Capita



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

It is anticipated that this trend will continue to some extent, however could be greatly impacted by national and local economic conditions.

Indicator: Property Tax Revenue in Constant $ in 000s

Property Tax Revenue (Ad Valorem Taxes) in FY 2016 will account for approximately 52 percent of the total revenue of the County. Given the reliance of the County on this revenue to fund Schools, Public Safety, and all the other general government services, the County is particularly sensitive to changes in this trend.

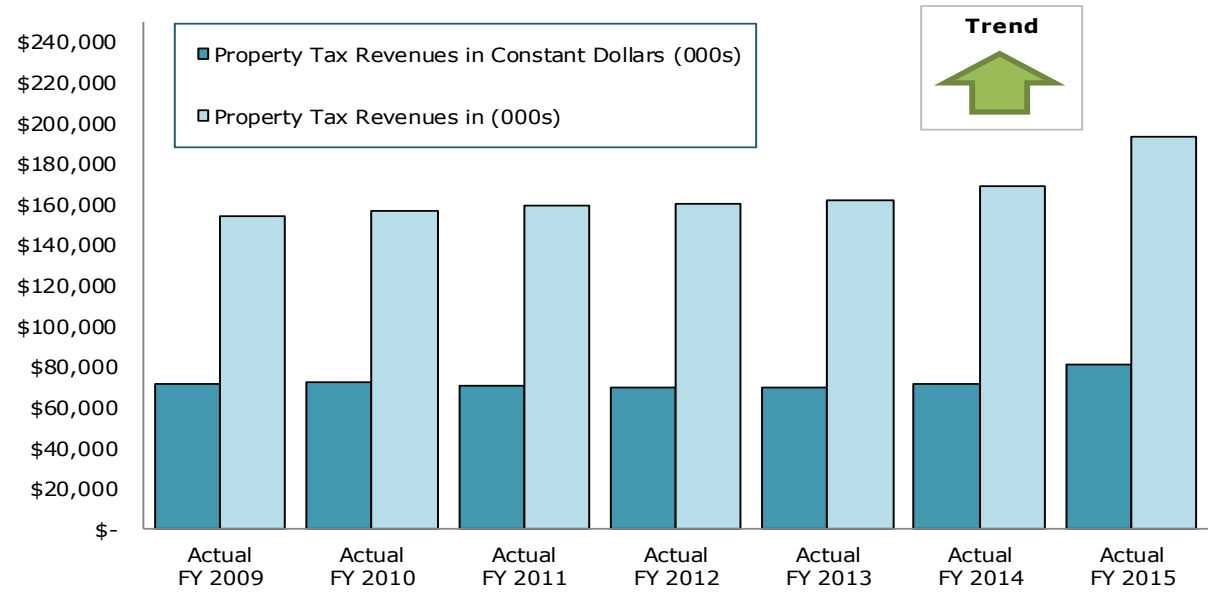
Property Tax Revenues, in constant dollars, provides an indicator of the County's ability to continue to fund services. This indicator, for the purposes of the report has been adjusted to constant dollars.

Trends and Analysis

From FY 2014 to FY 2015, property tax revenue increased by 14.55 percent. This increase continues a trend of growth, during the last five years. The indicator is currently showing as positive, because the real growth in revenue is occurring and keeping pace with inflation.

This trend should be tempered by the growth in the tax rate during the same period. From FY 2009 to FY 2015, the property tax revenue, in constant dollars, grew by 13.46 percent, while during that same time frame, the tax rate grew by 14.5 percent. This differential would indicate that while revenue growth has occurred, it was due to the changing tax rate, not through growth in the County. Additionally, the limited growth in this indicator, adjusted for inflation suggests that the majority of the growth is due to inflation. Typically, growth in the County can be expected to range from 1 to 1.2 percent annually, depending on new construction.

Property Tax Revenues in 000s



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Note on Adjusting for Inflation: The graph indicates a dichotomy between the inflation adjusted revenue against the absolute dollar revenue. This indicator provides a clear understanding of the impact of the inflation adjustment. As can be seen, the unadjusted tax revenue has shown some growth during the analysis period. However, the adjusted revenue has remained relatively stagnant. This indicates that there is a fairly proportional relationship between inflation and revenue, or simply that based on a cursory look at this data, the growth in unadjusted is more reflective of inflation than true economic expansion.

Indicator: Total Expenses Per Capita in Constant $ in 000s

Total Expenses Per Capita, similar to Operating Revenue Per Capita, provides an inflation and population adjusted indicator of the cost of services. Total Expenses Per Capita does not indicate a service demand, however, being adjusted for population, it assumes that demand is proportional to population growth.

Increasing per capita expenses could indicate that the cost of providing services is outpacing the County's ability to pay. This ability to pay is further exemplified when this indicator is taken in conjunction with changes in personal income. Decreasing per capita expenses, assuming services are provided at consistent levels, could indicate increasing efficiencies or stress on FTE's. Additionally, it can also indicate changes in the service delivery model.

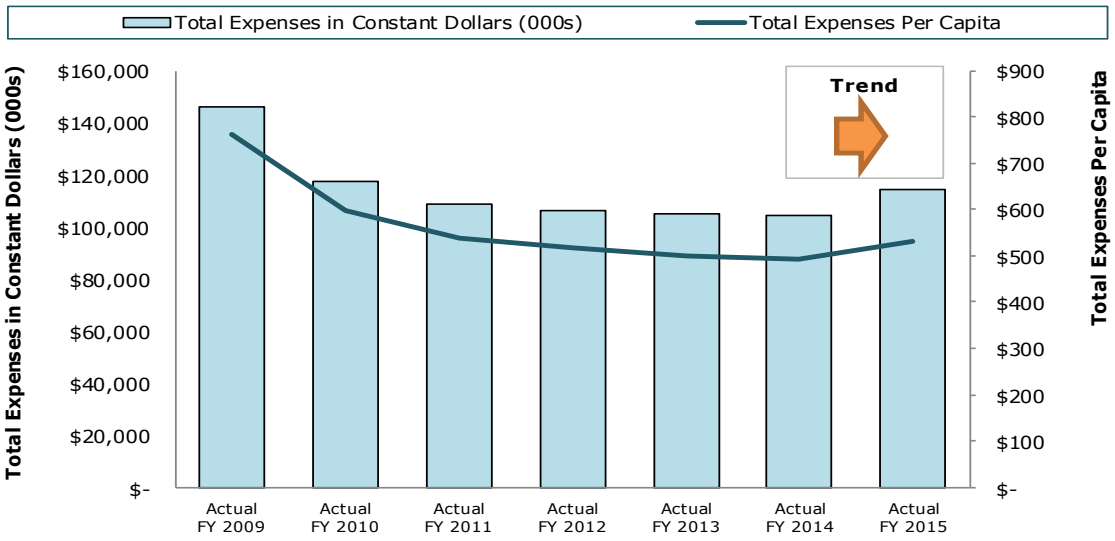
Trends & Analysis

Expenditures per capita, in constant dollars, declined from FY 2009 to FY 2014, however, in FY 2015, there was a 9.9 percent increase.

The indicator is neutral and will require additional analysis and monitoring. As the graph indicates, in FY 2009, the per capita expenditures were $764.09, due in large part to $75 million of general obligation bond debt incurred and expended in that year.

Another factor for consideration is the additional funding provided for UCPS during FY 2015. From FY 2014 to FY 2015, the education expenditures, in constant dollars increased by 18.5 percent. This equates to an increase of $16.7 million dollars, in today's dollars.

Total Expenses Per Capita



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Additionally, the increasing funding for Emergency Medical Services, Volunteer Fire Departments, and Union County Public Works will continue to incrementally increase the per capita expenditures. Although much of these services are paid for through user fees and taxes, the County will work to minimize the growth to the greatest extent possible, while maintaining the appropriate level of service.

Indicator: Full-Time Equivalents Per 1,000 Population

Over time, with the growth in population, there will necessarily be an increase in the number of employees needed to provide services. However, given that employee costs in the revised FY 2016 General Fund operating budget represent about 42 percent of the total, costing just under $65.6 million, actively monitoring the number of employees per 1,000 population is an indicator of future cost growth.

An increase in employees per capita could indicate that expenditures overall are growing faster than revenues. Or in cases where population is growing while the number of County employees remains constant or decreases, could indicate efficiency or a growing stress on the service delivery systems. A positive trend or decrease would indicate the aforementioned service stress or efficiencies.

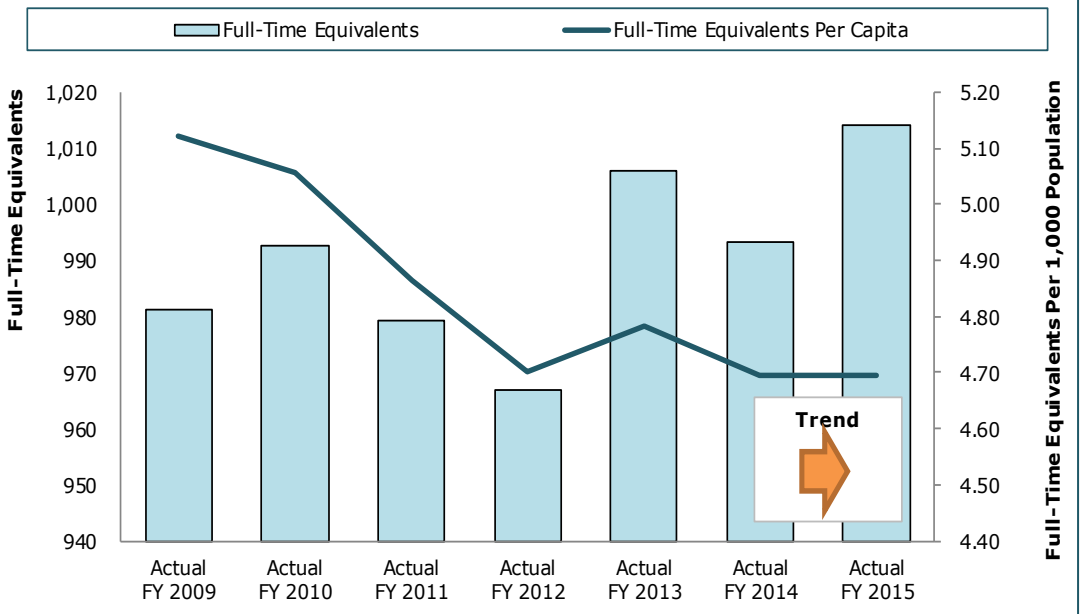
Trends & Analysis

The trend is neutral and requires ongoing monitoring. This trend is dichotomist in nature. While the raw growth in total number of FTE is up, the FTE per 1,000 is holding steady.

From FY 2009 to FY 2015, the County has experienced an increase of 32.9 FTE. This increase in the number of full-time equivalents (FTE) is largely driven by an increase in law enforcement staffing. During this period, law enforcement (including animal control) increased by 23.20 FTE. This is reflective of the Board of County Commissioners' commitment to public safety. The remaining 9 FTE have come in areas such as tax administration, Board of Elections, building code enforcement, and other areas.

The stronger indication of true growth is the FTE per 1,000 population indicator. This indicator remained unchanged from FY 2014 to FY 2015 at 4.70 FTE per 1,000 population. This trend, while listed as neutral and one to be monitored, is indicative of underlying growth in government's FTE's that has been slower than that of population increases.

Full-Time Equivalents per 1,000 Population



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

What is and FTE? A FTE is a Full-Time Equivalent. Generally speaking a full-time employee will work 2,080 hours in a year. To be counted as an FTE a position or a total of partial positions will equal a total of 2,080 hours. An FTE does not necessarily equate to a position or person, but a number of hours budgeted. The use of the FTE provides a standardized way to evaluate staffing levels.

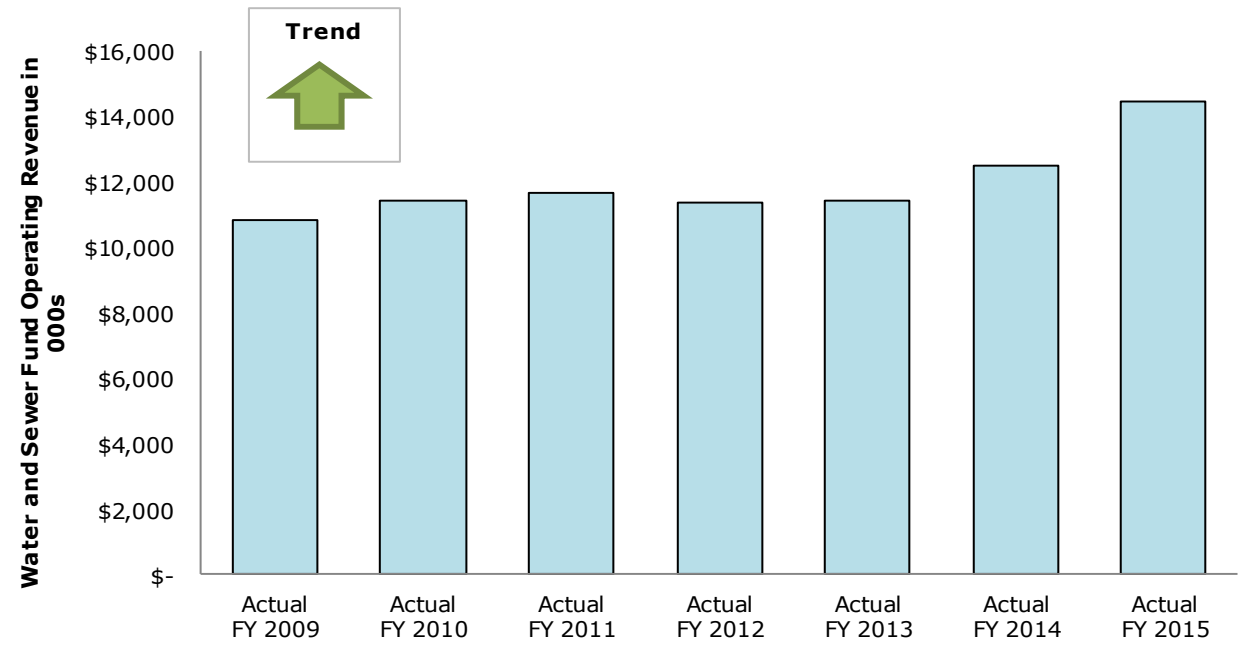
Indicator: Water and Sewer Fund Operating Position in Constant $ in 000s

The operating position or working capital of the Water and Sewer Enterprise Fund provides an indicator of the utility's ability to fund capital and system projects, as well as fund day-to-day operations.

To compare year to year, this indicator is adjusted for inflation and converted to constant dollars. A positive trend indicates a growing capacity within the utility to address system capital. However, it is important to note, that this ability to maintain the system is balanced with the notions of rate fairness and inter-generational equity. Rates must be set sufficient to cover the full cost of the system, including capital and system projects. The full capital program should not be funded through current revenues, but through a balanced debt program.

Trend & Analysis

Water and Sewer Fund Operating Revenue in 000s



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

The Water and Sewer Fund Operating revenue has grown significantly over the past three years. However, prior to FY 2012 there had not been a rate increase for a decade. Between FY 2011 and FY 2015, in today's dollars, revenues increased by 31.1 percent. Adjusting the rate increases out to measure pure growth; this net increase is about 9 percent or about 2.26 percent annually.

This is a positive trend for the Water and Sewer Fund and fits within the long-term planning, as discussed in the "Financial Projections" section of this document.

It is important to note however, this indicator is particularly sensitive to weather patterns. In a drier year, the operating revenue will outperform projections, while in wetter year it may under perform.

Indicator: Benefits as a % of Salaries and Wages

Employee benefits represent a significant cost to the County. Employee benefits include health insurance, retirement costs, payroll taxes, workers compensation insurance, among others. Given the number and types of benefits, it is best to review them as a group.

The indicator to track employee benefits and their possible impact on services is to calculate employee benefits as a percentage of employee compensation. An increase in this indicator demonstrates a greater cost and a negative trend. A positive trend would be level or decreasing costs.

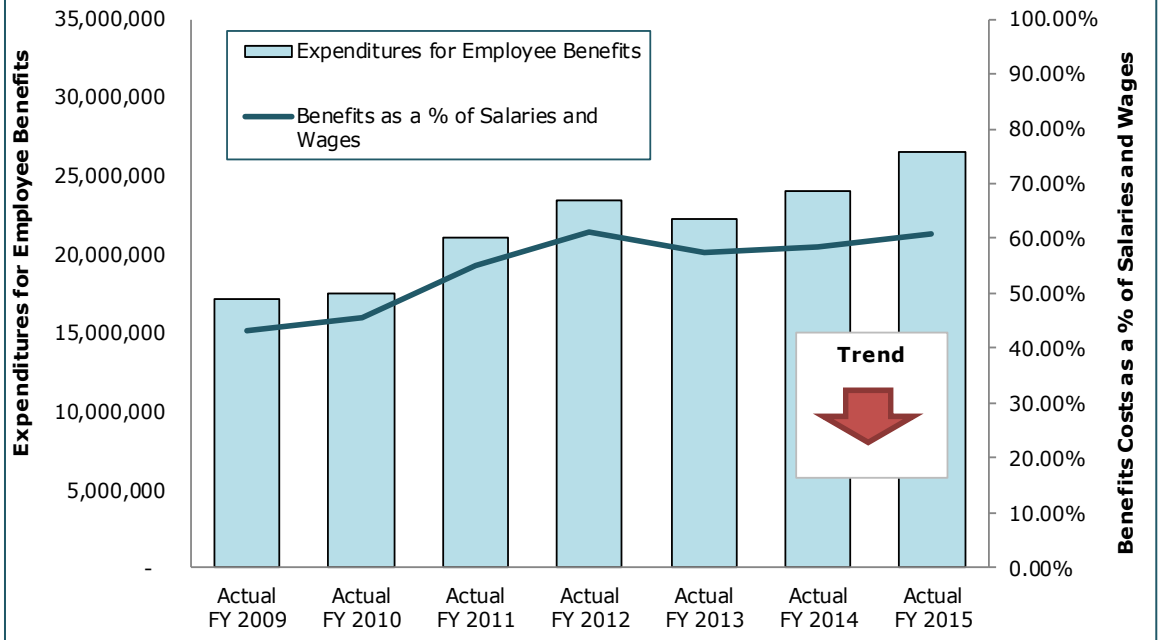
Trends & Analysis

Employee Benefits as a percentage of salary continues to trend negatively for the County. In constant dollars, from FY 2014 to FY 2015, the total cost of employee benefits grew by 7.55 percent.

This growth is being driven largely by a 10.5 percent increase in the cost of health insurance from FY 2014 to FY 2015. This growth in health insurance cost includes retirees and the ongoing commitment to Other Post-Employment Benefits. This increase is reflective of increasing cost of healthcare in the market place and the long-term impacts of medical inflation. This trend is anticipated to continue into the near future.

Other areas to be monitored on an individual basis are the increasing cost of the retirement contributions, which are based on the State of North Carolina's Local Government Employee Retirement System returns, changes in Fair Labor Standards, increasing benefit eligibility, and the aging of the workforce driving medical insurance claims. These factors are reviewed during the annual budget process and their impacts are figured into the proposed budget. Over time, these trends may impact the County's ability to deliver services.

Benefits Costs as a % of Salaries and Wages



Source: Union County Administrative Services

Note Concerning Other Post-Employment Benefits: OPEB benefits are non-pension benefits provided to employees after employment ends. These benefits, for the County for the year ended June 30, 2015, represented a long-term liability of $13.7 million, an increase of $1.9 million from FY 2014.

Indicator: Liquidity Ratio

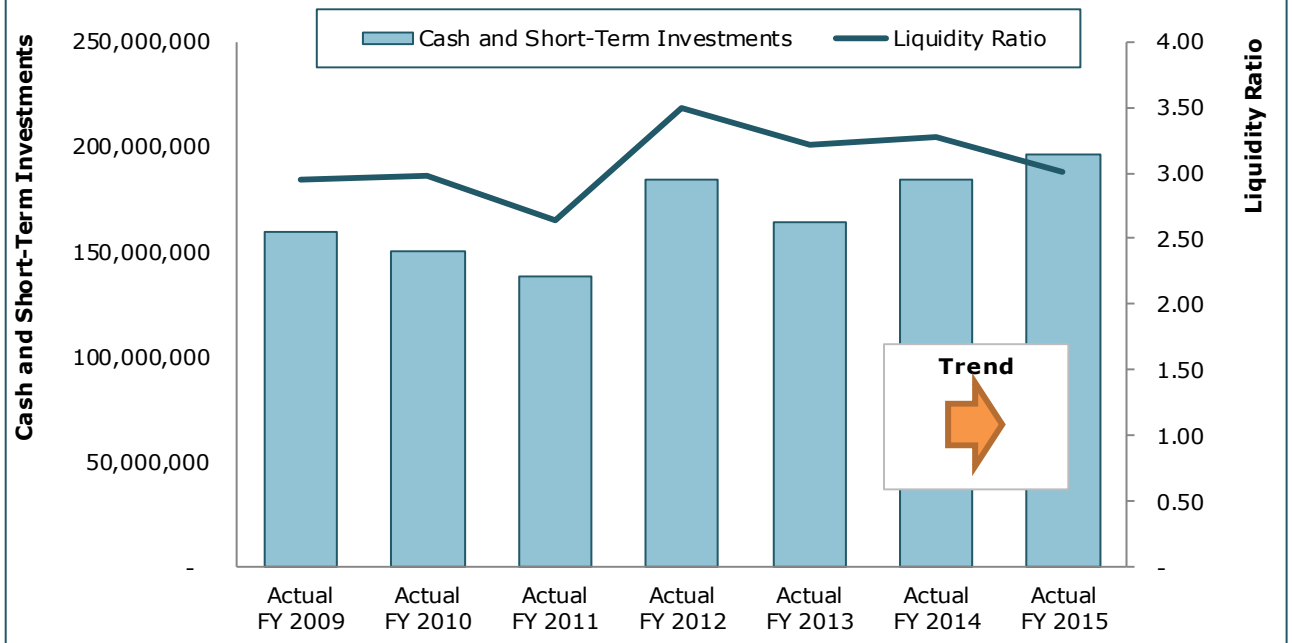
An indicator of the County's short-term financial condition is its cash position or measure of liquidity. Cash, in this case refers to not only cash but other assets that could be converted to cash. Liquidity is a measure of the County's ability to pay its short-term obligations. Low or declining liquidity can be an indicator that the County has over extended itself in the long-term; a cash shortage may be the first sign.

Trends & Analysis

In the prior years, this indicator has trended positively; however, the County saw a decline in its liquidity ratio going from 3.28 to 3.01, from FY 2014 to FY 2015.

This decline is not cause for alarm; however, it is worth continued monitoring. If this trend were to continue, the County's ability to meet its short-term commitments may be compromised.

Liquidity Ratio



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Indicator: Long-term Debt as a % of Assessed Value

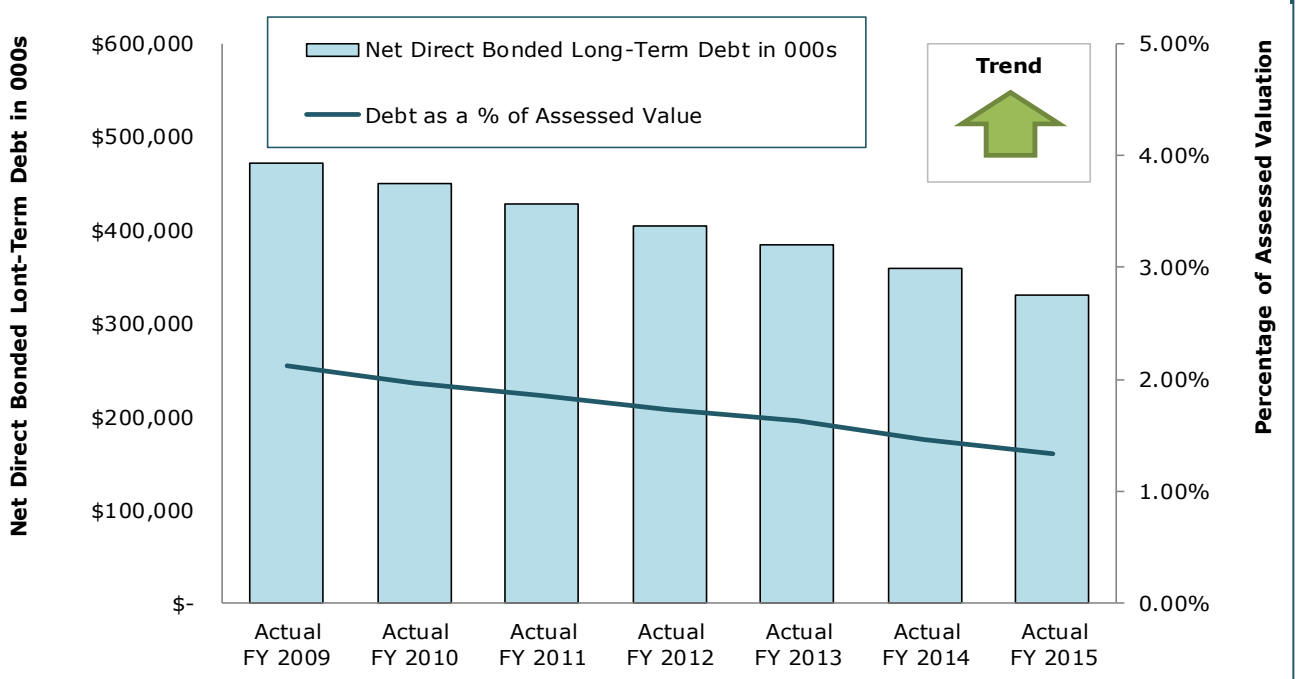
The County's long-term debt is a measure of the debt burden. Direct debt is the bonded debt for which the County has pledged its full faith and credit (i.e. taxes), while self-supporting debt, is generally supported by revenue other than taxes. This indicator is direct debt measured as a percentage of assessed valuation

Trends & Analysis

The long-term debt indicator shows a positive trend since FY 2009. The positive trend is the result of two components. The assessed valuation has grown each year, growing from $22.3 billion in FY 2009 to $24.7 billion in FY 2015. During this same period, the County's direct debt has declined from $472.4 million in FY 2009 to $330.8 million in FY 2015. While this ratio has decreased significantly, Union County remains the 3rd highest in the State.

This indicator continues to support the Board of County Commissioners' desire to focus on the County's debt policies. Through the adopted debt policies this trend will continue to have a positive impact on the County's ability to access the debt markets and ensure the lowest future cost of borrowing possible.

Long-Term Debt as a % of Assessed Value



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Indicator: Population

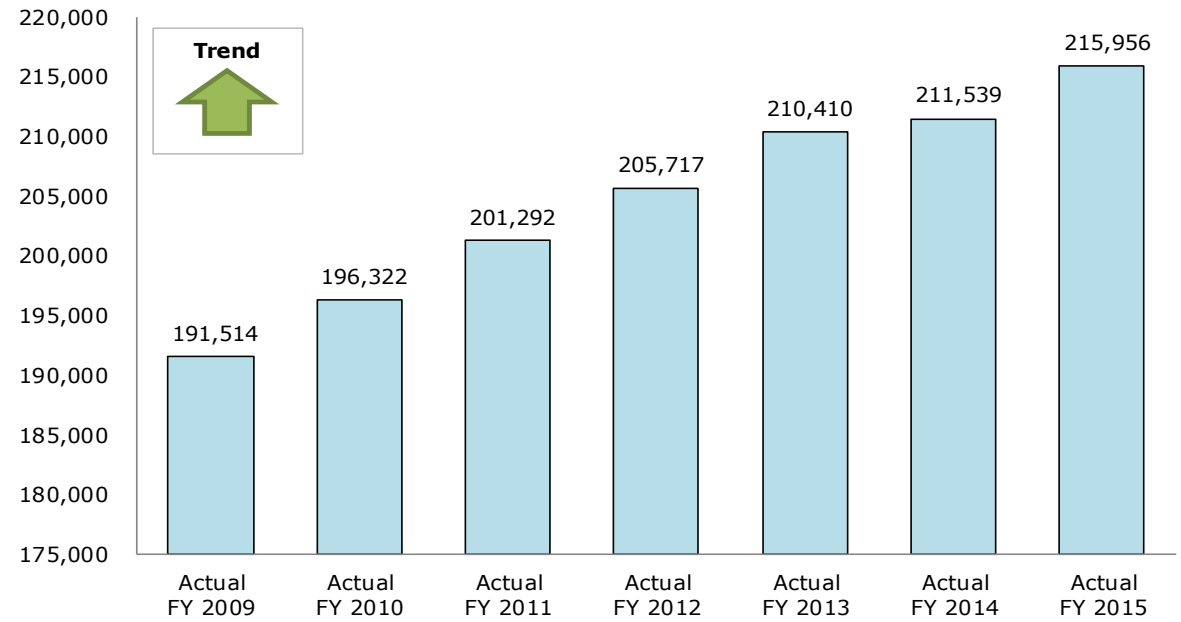
Population as an indicator does not present a positive or negative trend. It presents an indicator of changing service demand.

Changes in population have a direct effect on the County's revenue and expenditures. As was experienced in the 2000s, a sudden increase in population can create immediate pressure for new capital outlay and higher levels of services.

Alternatively, a decline in population would, at first glance, appear to relieve the pressure for expenditures by reducing demand. In reality, a declining population does not necessarily equate to reduced costs.

Trends & Analysis

Population



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Union County's population has grown by 24,442 residents since FY 2009. This equates to average growth of two percent annually. The growth appears to be fairly consistent since FY 2009.

As mentioned earlier, simple population growth is not a positive or negative indicator. The positive growth in this indicator makes this trend positive over the past 6 years.

Indicator: Population Under 18 and Over 64 as a % of Total Population

The percentage of the total population that is under 18 and over 64 is a useful indicator of those in the local economy that are typically dependent on others to provide services and support. Historically, this group represents those that are not yet in the workforce, or have left the workforce. While this is a changing demographic for the over 64 portion, as people are working longer, it is still an indicator of service demand in the County. This group collectively is greater users of services as compared to the 19 to 63 demographic.

Changes in this indicator are indicative of changing service demands and can signal a possible shift in service delivery model with increased dependence on services such as schools, social services, and transportation. In addition, growth in this indicator can signal a possible loss in revenues.

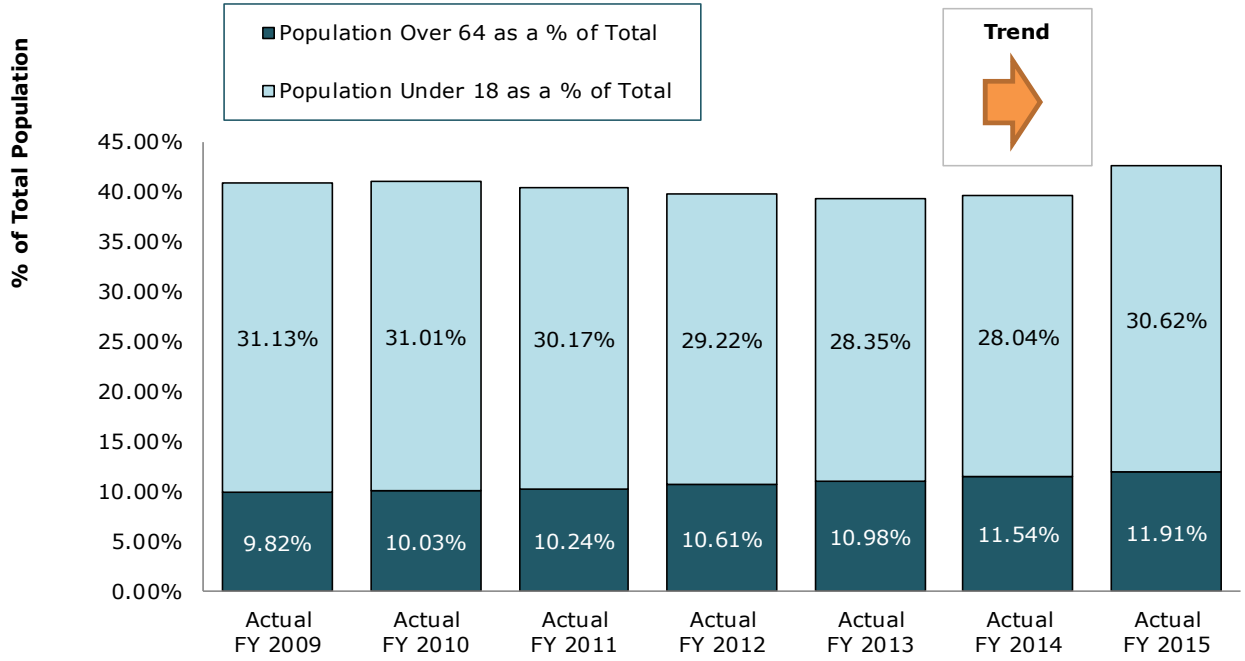
Trends & Analysis

This indicator has shown continual decline from FY 2009 to FY 2014. However, in FY 2015, the indicator showed some increase, with the population under 18 growing by more than two percent. This trend is neutral, but there are several demographic shifts that will have a significant impact in the near future.

As the "boomer" generation reaches 65, it can be expected that the upper end of this group will continue to grow as a percentage of population. This trend will have an impact on the service demands of the County, particularly in the human services areas.

In addition, the portion of the population that is younger than 18 continues to hover at about thirty percent of the total. This trend reflects historical. This trend will have long-term impacts on planning for school facilities, library facilities, and other resources.

Ratio of Population Under 18 and Over 64



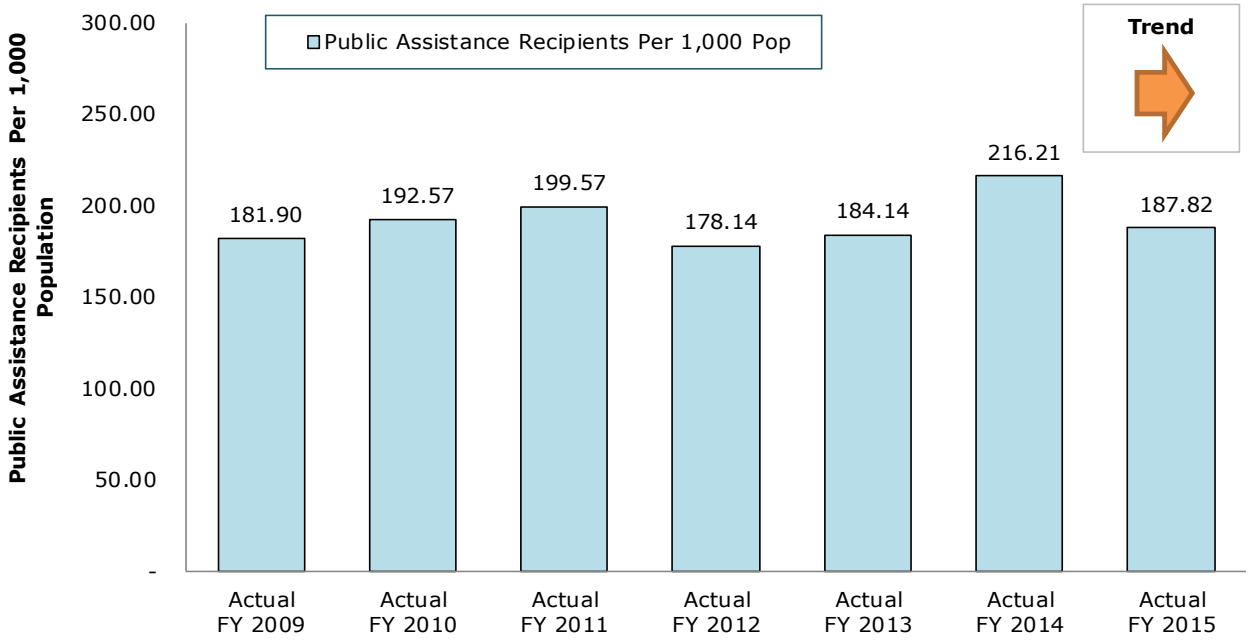
Source: http://www.osbm.state.nc.us/demog/prsage.html

Indicator: Public Assistance Recipients Per 1,000 Population

The number of public assistance recipients provides an indicator of possible future increases in the level and unit cost of some services. Typically, lower income households tend to use a higher degree of county services.

Trends & Analysis

Public Assistance Recipients Per 1,000 Population



Source: Union County Administrative Services

The indictor is showing a neutral trend due to a one year reduction. This follows increases from FY 2012 to FY 2014, given the FY 2015 indicator, it appears that the steep increase in FY 2014 was an anomaly.

This trend is supported by similar data in the demand for services index, which follows. It is significant to note that this indicator is a reflection of need in the community. During an economic downturn it can be anticipated that there is an increased demand for public assistance services.

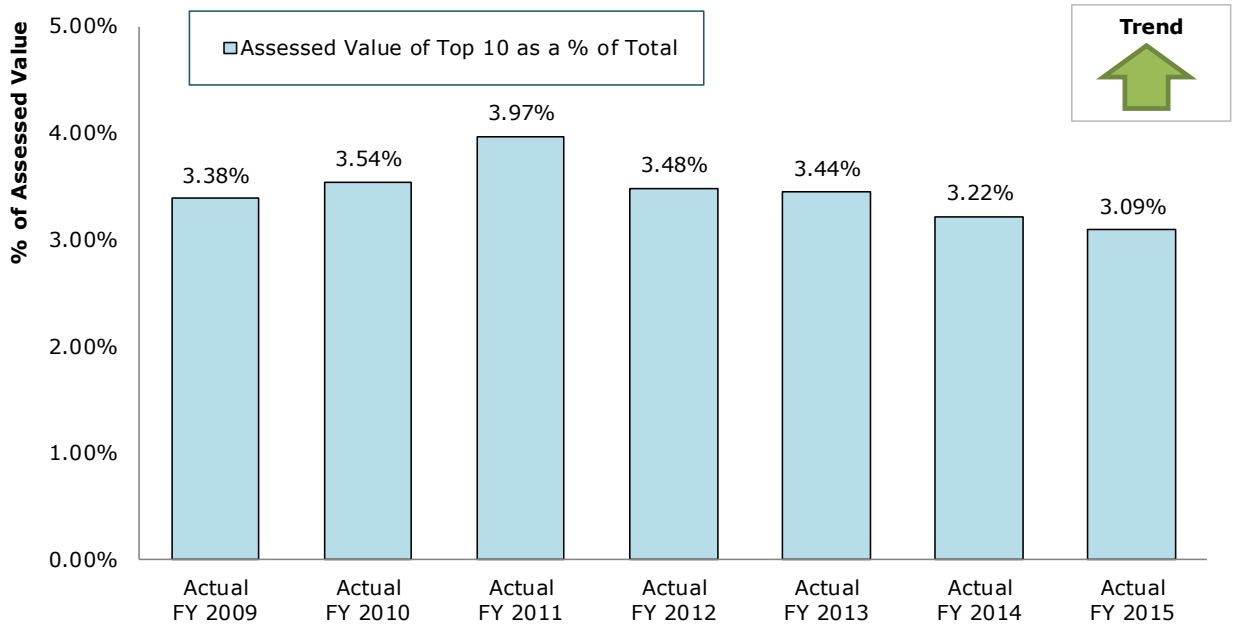
Indicator: Top Ten Tax Payers as a % of Assessed Valuation

This indicator measures the concentration of a property values in the County and helps to analyze the vulnerability of the economic base to the fortunes of a few taxpayers. Bond rating agencies use this indicator to determine the degree of concentration. If the County relies too heavily on just a few taxpayers for property taxes, it would be vulnerable to any changes in these tax payers' assessments and/or ability to pay taxes.

Trends & Analysis

The indicator shows a positive trend. The most meaningful indication shown is that during the indicator period, the top ten tax payers have not climbed above 4 percent. In FY 2015, this group only reflected 3.1 percent, showing limited exposure to a specific industry.

Assessed Value of Top 10 Taxpayers as a % of Total



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

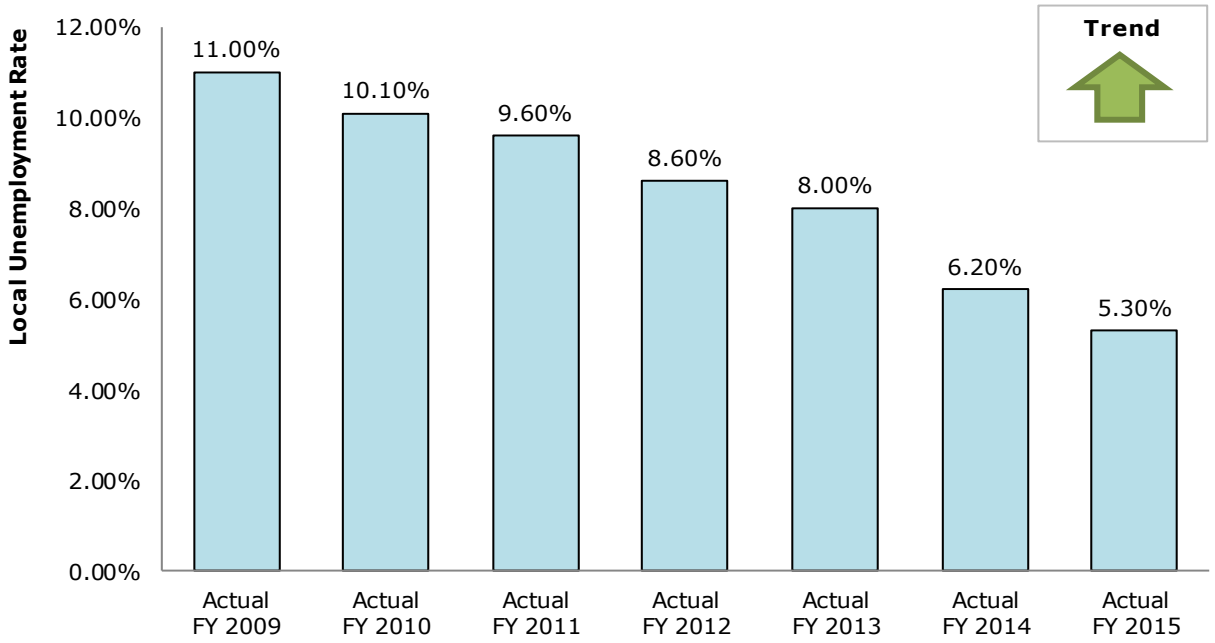
Indicator: Local Unemployment Rate

Changes in the unemployment rate are related to changes in personal income. This indicator measures the community's ability to support its local business sector. The unemployment rate reflects the employment status of residents who live within the County's geographic boundaries, regardless of whether their jobs are within or outside of the County.

Trends & Analysis

The unemployment rate hit a high of 11 percent in FY 2009, and has come down to 5.3 percent in FY 2015. This positive trend is expected to stabilize into the near future. The 5.3 percent is reflective of the economic improvement and recovery.

Local Unemployment Rate



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

Indicator: Gross Retail Sales in000s

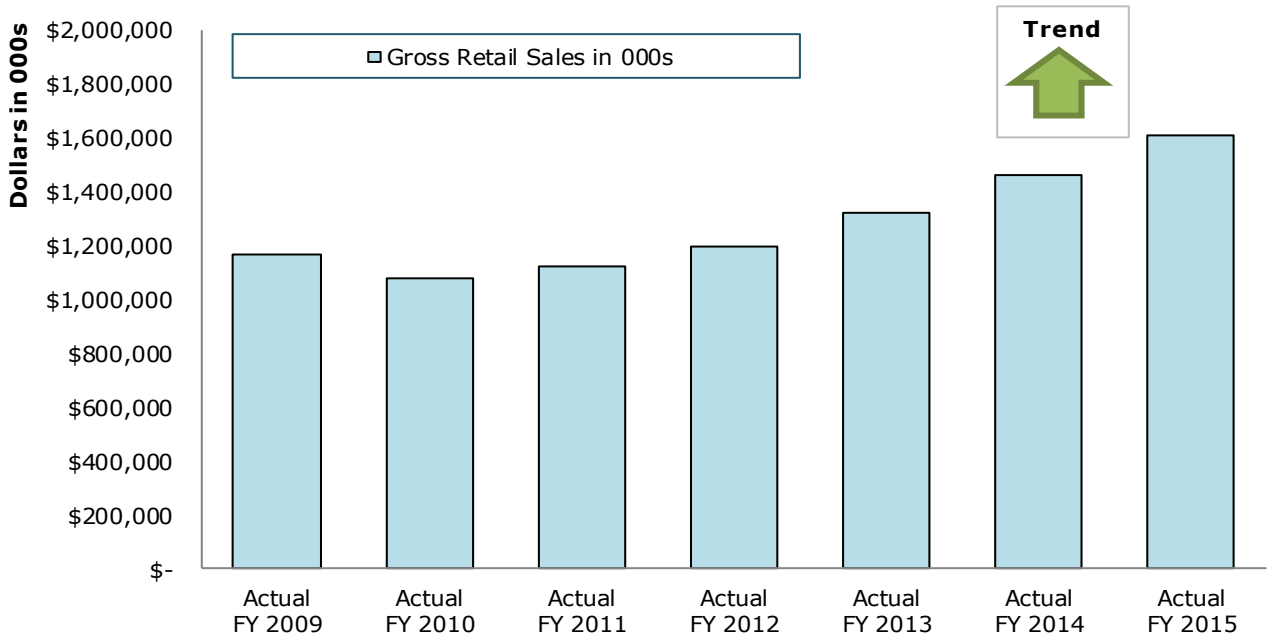
Gross retail sales are an indicator of local business activity. Changes in business activity can affect the County's financial condition in two ways. First, it directly affects any revenue yields that are a product of business activities.

Secondly, and perhaps more important, changes in business activity affect demographic and economic areas such as personal income, property values, and employment rates.

Note on Retail Sales: Retail sales are largely dependent on disposable income. Meaning that as residents have more income, not committed to taxes or living expenses, the more that can be spent in the local economy and in local businesses.

Trends & Analysis

Gross Retail Sales in 000s



Source: Union County Comprehensive Annual Financial Report for the Year Ended June 30, 20XX

In FY 2015, the gross retail sales continued to grow beyond the low in FY 2010. This marks the fifth year that this is the case and signals a positive trend. This indicator demonstrates continued growth in the local economy.

As the graph indicates, and as would be expected, the economic impacts of the downturn are evident in both FY 2009 and FY 2010.


UNION COUNTY
1842
PLANNED PROGRESS
NORTH CAROLINA

Economic and Debt Indicators

The Economic and Debt Indicator (EDI) section represents a group of indicators that reflect not only the County, but also the regional economy. The focus recognizes the impact of the regional economic climate on the County, while the specific debt indicators further drill down to the impact of liabilities on the County.

Economic and Debt Indicators

Indicator	Trend	2009	2010	2011	2012	2013	2014	2015
Consumer Price Index - South (CY)	→	207.84	211.34	218.62	223.24	226.72	230.55	230.20
Case Shiller Index - Charlotte (CY)	↑	119.65	115.55	111.40	113.28	121.85	126.87	132.85
Consumer Sentiment Index - South Region (CY)	↑	66.27	70.58	67.14	75.25	76.64	82.80	89.60
Quick Ratio (FY)	↑	142.42%	146.33%	145.66%	252.65%	216.84%	226.11%	229.07%
Leverage Ratio (FY)	↑	263.66%	265.03%	259.71%	181.72%	189.64%	165.64%	136.69%
Debt Ratio (FY)	↑	2.60%	2.41%	2.27%	2.13%	2.00%	1.79%	1.74%
Debt Service Burden (FY)	↑	22.52%	23.51%	22.77%	22.51%	22.21%	19.47%	17.74%
Debt Per Capita (FY)	↑	3,025.62	2,817.13	2,610.45	2,421.36	2,247.34	2,085.48	1,989.28

↑ Positive Trend → Neutral to be Monitored ↓ Negative Trend

Additionally, these indicators are used by rating agencies and others in the financial community to evaluate the County as a credit entity. With that being stated, positive trends in these indicators can contribute to improved credit ratings and ultimately lower costs of borrowings. They can also serve as economic warning signs of greater economic issues in the region.

Each EDI is shown with a trend arrow. A positive trend represents multiple, recent years of improvement. A neutral trend represents minimal growth or decline, and a trend that warrants continued study and analysis. Negative trends represent multiple years of decline.

Trends & Analysis

Similar to FY 2014, the EDI analysis indicates that seven of the eight indicators are showing positive signs. The Consumer Price Index for the South, shown on a calendar year basis, is slightly decreasing; therefore it is a trend to be monitored.

Overall the County's Economic and Debt indicators provide a positive outlook. Based on this set of indicators, the County is positioned for a bright economic future.

Conclusions

The usefulness of the EDI is the year-over-year comparison and the ability to analyze the specific indicators in light of the changing economic climate. While the analysis of each indicator is useful, several general conclusions can be drawn from the EDI as a whole:

- ✓ The majority of the indicators shown provide a positive trend, and as such, indicate that the region is growing economically stronger and that the County's debt and financial position are improving.
- ✓ Inflation is a significant concern. While the County cannot control inflation, as an indicator, it can demonstrate significant issues in both government operations and revenue.

- ✓ The County's debt burden continues to decline, reducing the debt burden on the individual tax payer. This is a positive sign, but if a bond election is undertaken, this trend will change.

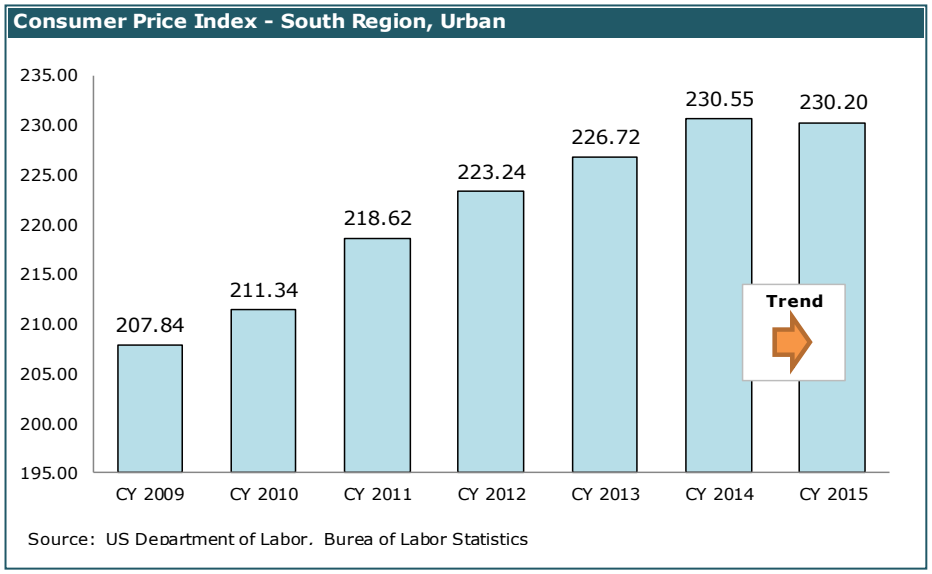
Based on the EDI, there are signs of positive growth. Despite the positive trends, the County should continue to vigilantly monitor these indicators. An understanding of these trends and their tie to the financial health of the County should undergird any financial policy or decision made in the near future.

Indicator: Consumer Price Index - South

The Consumer Price Index is a lagging indicator based on the cost of a market basket of consumer goods and services. It is a statistical index constructed to measure inflation of representative items purchased or used by consumers. The CPI is tracked at multiple geographic levels. A subset of the National CPI is the South Region; and within that region is information available for both Urban and Rural areas. The Urban index is used in the County's case, the Charlotte Metropolitan Statistical Area is classified as urban and Union County is part of that area.

Note on CPI Timing: The United States Department of Labor, Bureau of Labor Statistics, issues reports on a monthly basis. The regional reports lag significantly behind the national reports. As such, for the purposes of the EDI, the November 2015 CPI number is used.

Trend & Analysis



The CPI – South Region has grown each year since 2009. From 2009 to 2015, the increase was 22.36 points or 10.76 percent.

This growth indicates that "inflation" is a concern. Inflation impacts the County in two specific ways. The first impact of inflation is on the buying power of the County. As inflation grows, each dollar the County spends purchases less. This is true across all service areas and with Union County Public Schools (UCPS).

Secondly, as inflation increases and the buying power of the dollar decreases, residents are forced to spend more income on the items they have traditionally purchased. Because of this, during higher inflationary times, the tax burden on the resident increases and therefore reduces economic activity in the community.

Indicator: Case Shiller Index - Charlotte

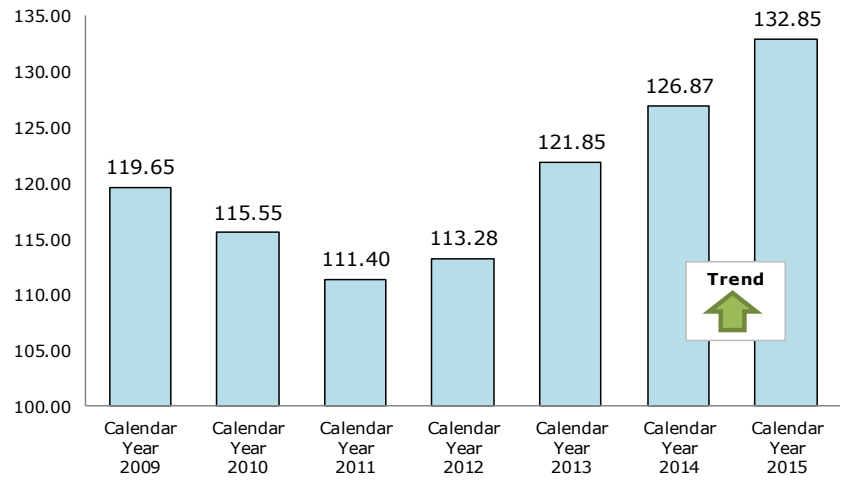
The case Shiller Home Price Index is a single family, detached-house price indices. It is made up of a 20-City composite, of which Charlotte, NC, is used as a datum point. The information for Charlotte is available and is used for this indicator.

History has shown that as home prices in Charlotte increase, the greater Metropolitan Statistical Area home prices also increase, as the population looks for a balance of affordability and needs. Therefore, increased home sales are a result of increased confidence. The index is a lagging indicator, with information posting on a two month delay. Information used for this report is from October 2015.

Trend & Analysis

After essentially bottoming out in 2011, the Case Shiller Index has shown signs of significant improvement during the past four years. Based on the trend, the County can expect this indicator to continue to grow; with the likely impact of increasing home values within Union County.

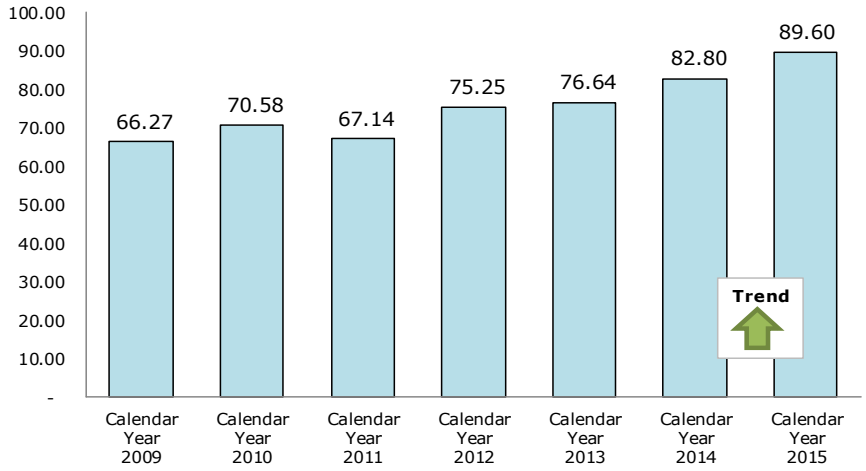
Case Shiller Home Price Index - Charlotte, NC



Source: Standard and Poors

Indicator: Consumer Sentiment Index – South Region

Consumer Sentiment Index - South Region



Source: University of Michigan

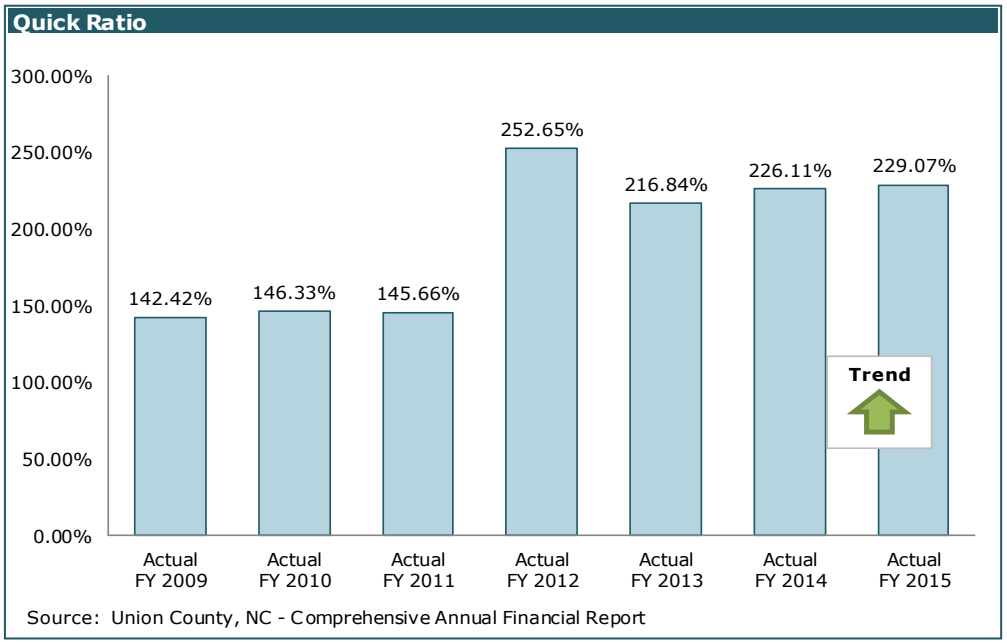
The Consumer Sentiment index tracks the public sentiment regarding the economy. The index was normalized in 1964 to a value of 100 and is updated monthly based on at least 500 telephone interviews to households in the continental United States in which standardized core questions are asked.

Consumer Sentiment has been an established as a leading economic indicator which gauges economic expectations and optimism/pessimism on business, personal finance, and spending habits. The South Region index was included because it more closely mirrors expectations of the local economy. The data used for this report is from November 2015.

Trends and Analysis

Consumer confidence is at its highest level since 2009. This is a positive statement concerning the future and the willingness of the consumers to spend money in the market place. When confidence is low, the consumer will stop spending and reduce the activity in the local economy.

Indicator: Quick Ratio

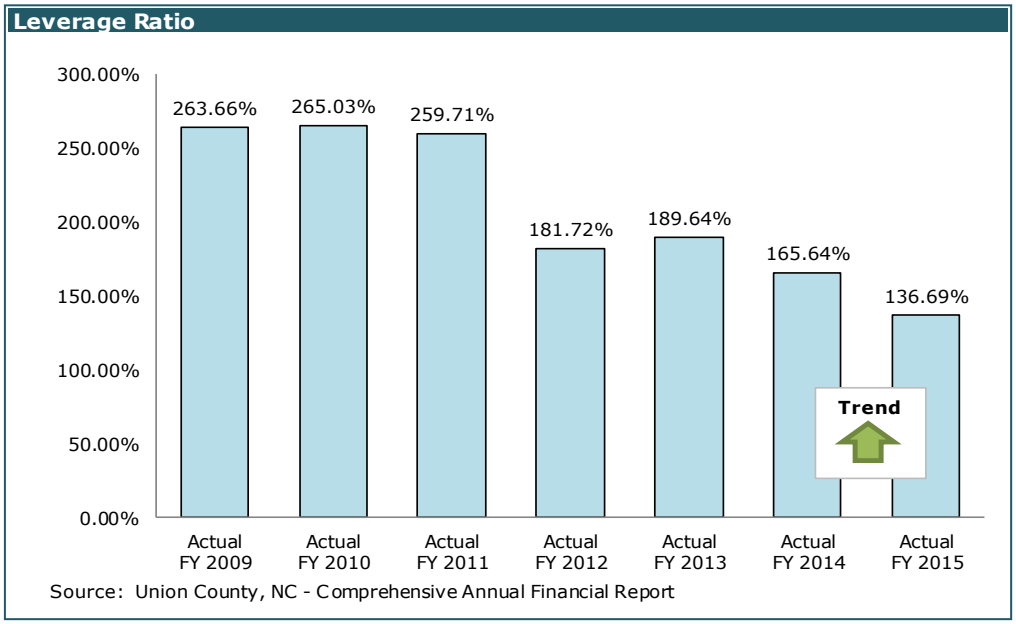


The quick ratio provides an indicator of the County's ability to fund short-term liabilities and obligations. This is a measure of the County's liquidity. It is measured by analyzing the County's cash and investments as well as current liabilities. This information is derived from the County's Comprehensive Annual Financial Report.

Trend & Analysis

Typically, a ratio of less than 100% is considered to be negative. For example, in 2009, there was $1.42 to fund each $1.00 of liability. Since then the County has seen steady growth in this indicator and is currently at $2.29 for every $1.00 of current liabilities.

Indicator: Leverage Ratio

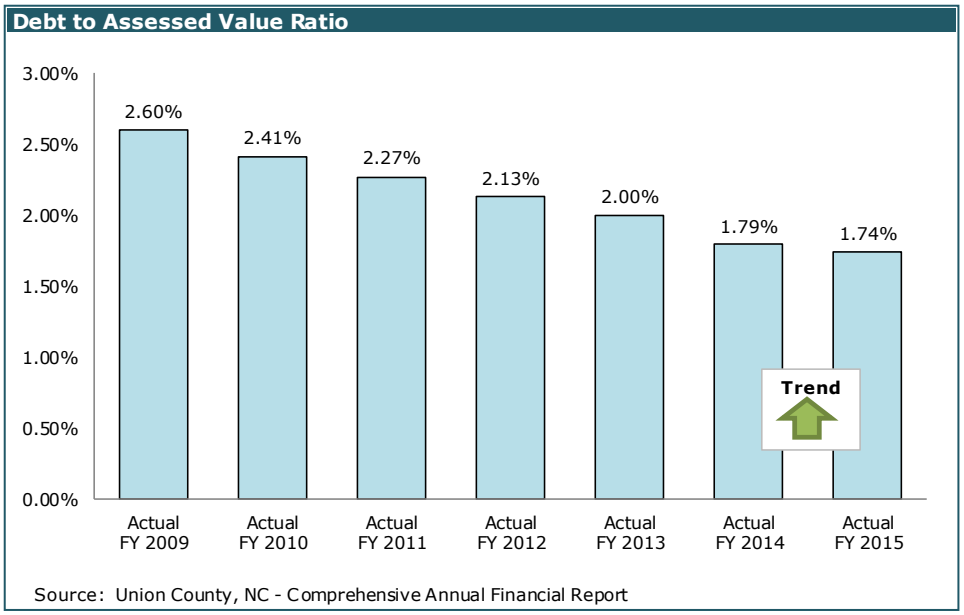


Leverage Ratio represents the extent to which assets are financed with long term (non-current) debt. In North Carolina, schools are financed by the County then conveyed to the School District creating a debt to asset imbalance.

Trend & Analysis

Given the constraints related to the conveyance of property to UCPS, this indicator remains higher than acceptable levels. However, there is a positive trend; as debt is retired and principal is paid down, this ratio will continue to show improvement.

Indicator: Debt to Assessed Value Ratio

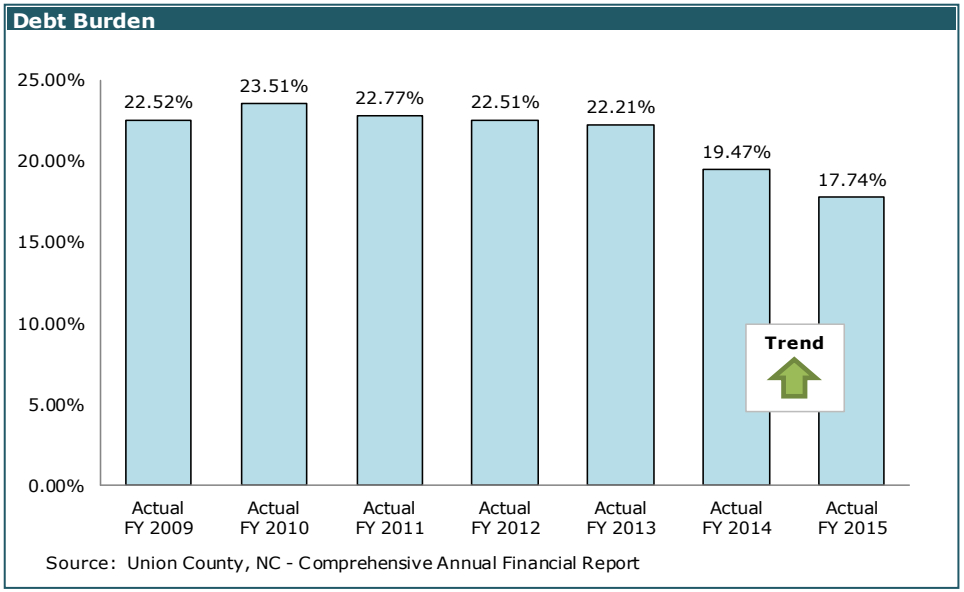


The Debt Ratio compares over time, total debt to total assessed value. If debt is not issued regularly and assessed value grows, the debt ratio will shrink. In Union County's case, Assessed Valuation has increased, and no new debt has been issued.

Trend & Analysis

Although the Debt Ratio has been declining since FY 2009, based on FY 2015, Union County still ranks the 3rd highest for N.C. Counties with populations greater than 100,000.

Indicator: Debt Service Burden

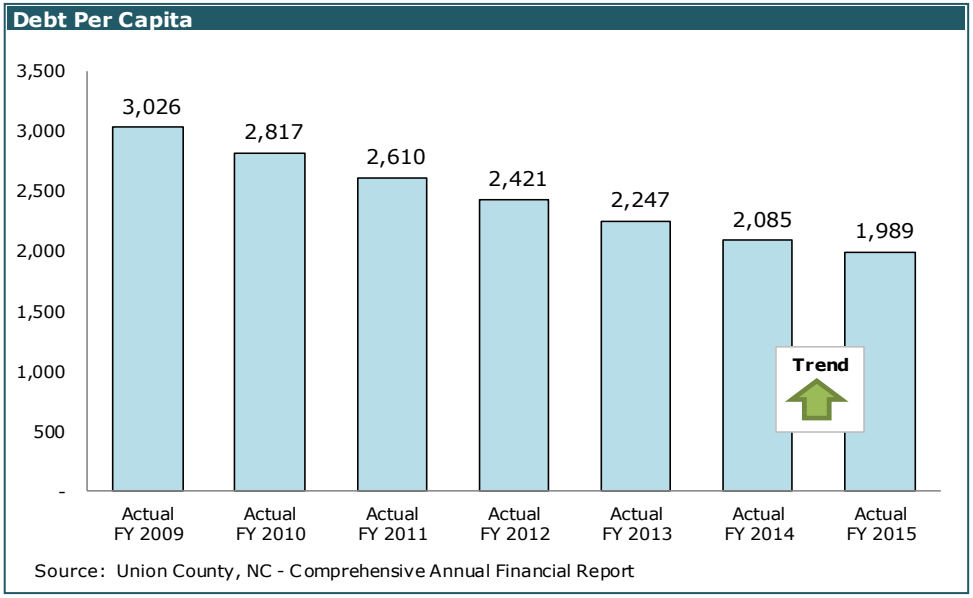


Debt Service Burden represents what percentage of revenue needs to be dedicated to the payment of debt service. As debt matures and principal is reduced, debt service naturally declines. As a result of proactive debt management, the County has reduced the interest component, and operating revenues continue in a positive trend, thereby decreasing the debt burden. A debt burden of 16 percent is considered high from the rating agencies.

Trend & Analysis

Although the debt burden has decreased by 5.7 percent since 2010, it remains well above our N.C. peer group FY 2015 average of 14 percent. The positive trend reflects the continued improvement in this indicator.

Indicator: Debt Per Capita



Per capita debt shows changes in long term debt relative to changes in population. If debt is not issued consistently, the debt per capita will shrink, even if population remains constant as a result of annual principal amortization.

Trend & Analysis

Although debt per capita has decreased by over 50 percent over the previous six years, it remains the second highest in the State based on FY 2015 information.

The positive trend reflects the continued improvement in this indicator.

Demand for Services Index

Demand for Service Index (2008=100.00)							
Indicator	Demand Units						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Library Visits - Physical and Virtual Per Capita	51.61	59.74	85.44	61.00	59.59	55.17	55.75
Index	97.35	112.69	161.16	115.07	112.40	104.07	105.15
Average Daily Membership Per 10,000 Population	2,013.12	2,005.18	1,982.20	1,927.60	1,912.84	1,939.12	1,912.24
Index	98.93	98.54	97.41	94.72	94.00	95.29	93.97
Social Services Client Visits Per 1,000 Population	276.50	280.67	281.19	281.87	272.57	235.05	225.91
Index	113.45	115.16	115.37	115.65	111.83	96.44	92.69
Health Department Client Visits Per 1,000 Population	165.76	187.74	128.70	116.03	120.25	104.99	98.52
Index	104.14	117.95	80.86	72.90	75.55	65.96	61.90
Water and Sewer Accounts Per Capita	0.3540	0.3507	0.3476	0.3482	0.3515	0.3625	0.3638
Index	96.99	96.08	95.25	95.41	96.30	99.32	99.69
Billed Daily Water Consumption in 000s Gal/Per Capita	0.0455	0.0487	0.0502	0.0474	0.0451	0.0466	0.0498
Index	83.84	89.63	92.34	87.26	83.12	85.83	91.72
EMS Calls Per 1,000 Population	81.38	84.18	86.64	88.25	89.39	89.61	84.30
Index	95.57	98.86	101.74	103.64	104.97	105.23	99.00
EMS Transports Per 1,000 Population	56.97	59.02	60.63	61.23	61.31	59.28	63.26
Index	96.36	99.81	102.55	103.57	103.69	100.26	107.00
Building Permits per 10,000 Population	111.43	103.76	86.79	100.19	125.47	174.20	171.15
Index	65.34	60.84	50.89	58.75	73.57	102.14	100.35
Sheriff Calls for Service per 1,000 Population	496.95	541.10	551.63	543.78	443.83	636.03	605.97
Index	136.60	148.73	151.63	149.47	122.00	174.83	166.57
Population in 000s	191.51	196.32	201.29	205.72	210.41	211.54	215.96
Index	105.02	107.66	110.38	112.81	115.38	116.00	118.42
Demand Units	3,445.62	3,518.10	3,464.90	3,386.07	3,296.04	3,505.40	3,433.47
Index	102.78	104.95	103.36	101.01	98.32	104.57	102.42

The Demand for Services Index (DSI) provides the County with an understanding of the changing needs of the residents. The DSI provides a means to analyze the growth of usage of ten specific services, while adjusting for population growth. In addition, the demand index includes a general population indicator.

The goal of the DSI is to provide a proxy, or a group of specific data points that can serve as a general indicator, when taken together to provide an aggregated indication of total service demand. This aggregated indication, represented in "Demand Units" provides a directional indicator of the changing demand for all County Services, and as such can be useful for understanding and planning future services and their possible resource needs.

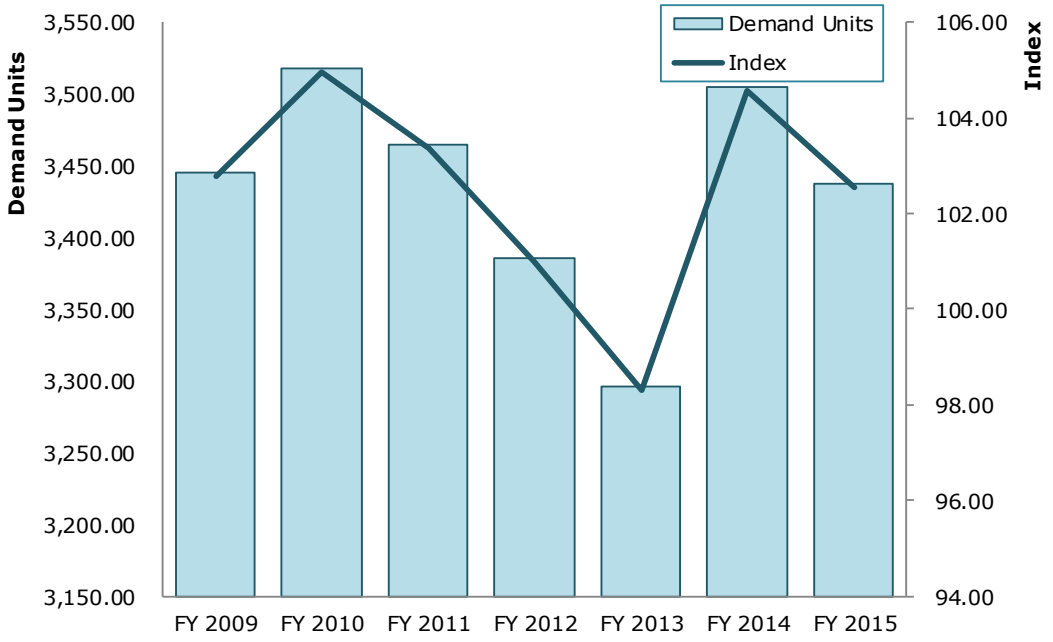
The DSI works using specific indicators and then adjusted for changes in population. While the previous indexes analyzed raw data as an indicator, the latest iteration has been revised to more accurately reflect the indicators impact on demand. In the DSI, the higher the demand units the greater the draw on resources that indicator is. For the purposes of the DSI, the ten indicators have been placed into three impact categories:

- Per Capita – When indicators are adjusts to per capita (meaning for each person), the adjustment serves to accurately reflect the individual demand created by each unit. Per capita indicators, while high volume in nature, do not incrementally increase the resource demand. However, a higher per capita indicator does demonstrate a higher level of demand for resources.
- Per 1,000 Population – When indicators are adjusted to per 1,000 population, the individual demand unit has a greater impact on resources.
- Per 10,000 Population – When indicators are adjusted to per 10,000 population, the individual demand unit has the greatest impact on resources.

The additional indicator, population, provides a general indicator of population growth. While the first ten indicators are service driven, the population indicator acknowledges the general demand on resources that population increases bring. Adjusting the first ten indicators for population, as mentioned, provides a means to establish the underlying demand changes in service, not necessarily driven by population increases.

Demand units indicate absolute demand, the index provide analysis of demand over time. The DSI uses FY 2008 as the base year, or as 100. For example as the index changes, to 102.42, there has been a growth of 2.42 percent in demand for that particular service.

Demand for Service Index



Source: Union County Administrative Services, FY 2008 = 100

Trends & Analysis

As the table on the previous page indicates, overall demand has grown by 2.42 percent since FY 2008. A more detailed analysis indicates that during the height of the latest recession, considered by most to be FY 2010, the index indicates the greatest demand on services. In FY 2010, the index grew to 104.95, driven largely by increases in Social Services Client Visits, Health Department Client Visits, and increased Sheriff Calls for Services. In addition, the Library Visits experienced a spike in FY 2011.

By FY 2013, the DSI saw its lowest point at 98.32. This reduction in the DSI mirrors the economic recovery. As with the spike, the declining demand is reflected by reductions in Average Daily Membership at UCPS, declining Billed Water Consumption, declining Health Department Client Visits, and other indicators.

Another aspect of the DSI to consider is the Full-Time-Equivalent or FTE index. This index measures the number of County employees during the measurement period. When taken in conjunction with the DSI, the data provides a measure of the service demand placed on each FTE.

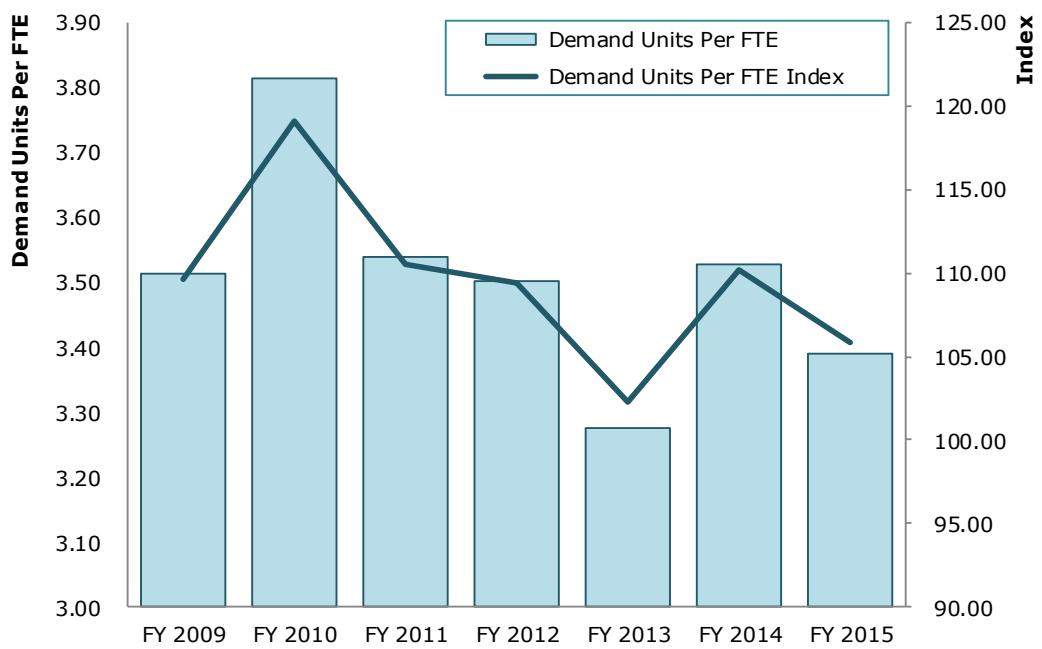
This service demand can demonstrate a greater stress on each FTE to deliver service or a measure of increased efficiency. A deeper analysis would indicate that in some cases, there are efficiencies; however, often there is an increasing stress on County positions to deliver a greater level of service. In addition to a measure of stress, the Full-Time Equivalent Index measures the capacity of the County to provide the services.

As the table indicates, since FY 2008, the County has experienced 3.14 percent reduction in FTE, with an index of 96.86. Keeping in mind during this same period, there was an increase of 2.42 percent in the demand for services.

Full-Time Equivalent Index							
Indicator	Demand Units						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FTE	981.10	922.70	979.20	967.00	1,006.10	993.36	1,014.00
FTE Index	93.71	88.14	93.53	92.37	96.10	94.89	96.86
Demand Units	3,445.62	3,518.10	3,464.90	3,386.07	3,296.04	3,505.40	3,433.47
Demand Units Per FTE	3.51	3.81	3.54	3.50	3.28	3.53	3.39
Demand Units Per FTE Index	109.68	119.07	110.51	109.35	102.31	110.20	105.74

Considering this growth in demand, with the decline in FTE, the Demand per FTE Index indicates that there is a 5.88 percent increase in the demand per FTE.

Demand Per FTE Index



Source: Union County Administrative Services, FY 2008 = 100

As with the demand index, the height of demand can be seen in FY 2010, when there was the greatest demand on County Services, with the lowest FTE index, of 88.14 coming in FY 2010. Putting this analysis in context, the County was providing 4.95 percent more services, with almost twelve percent less FTE's. This is further indicated by the Demand Units per FTE in FY 2010 with an index of 119.07, or an increase of nineteen percent from FY 2008.

There are several observation concerning demand per FTE that can initially be made. The first observation is that while demand is up, the County is providing services at a high efficiency rate. A Demand per FTE Index below 100 would indicate excess capacity, however given the 105.74 index, the County's FTE are operating beyond their FY 2008 capacity, indicating efficiencies in operations.

The second observation, and perhaps a warning trend, is the growth in the Demand per FTE. While this can indicate efficiency, it can also indicate a further need for analysis. When the delivery demands on employees regularly go beyond the capacity to deliver, the organization is placed in a higher level of risk.

Conclusions

The Demand for Services Index is indicative of the current trends in service delivery and while individual trend analysis provides some insight, the index is designed to be considered as whole. As such, the index provides a year-over-year snapshot of the trends in demand.

With this in mind, there are several general conclusions that can be drawn from the index:

- ✓ During the index period, since FY 2008, the demand for services has increased by 2.42 percent. While during the same period, the population has increased by 18.42 percent. This would indicate that the largest driver of the increasing demand for services is the population growth, which during this period averaged about 2.63 percent annually.

- ✓ The largest single area of growth continues to be Sheriff Calls for Service per 1,000 Population, which has increased by 66.57 percent during the indicator window.

- ✓ Demand is increasing, however, given the economic recovery; the demand for public services has seen a decline. If this trend continues, there will be minimal growth in demand, largely driven by the growth in population, versus a growth in demand of existing residents.

- ✓ The FTE Index in FY 2015 was 96.86, indicating that the County has reduced FTEs, however, the County continues to provide increasing levels of service. Staffing levels should be monitored to ensure sufficient staffing in the appropriate areas is maintained to deliver the needed services, as well as address possible areas of risk.

- ✓ The demand per FTE index of 105.74 indicates that the County has experienced some stress on its service delivery capacity. While it is almost certain that efficiencies have been obtained to ease the stress, a further analysis and possible future discussion of service levels may be necessary.

Indicator: Library Visits – Physical and Virtual Per Capita

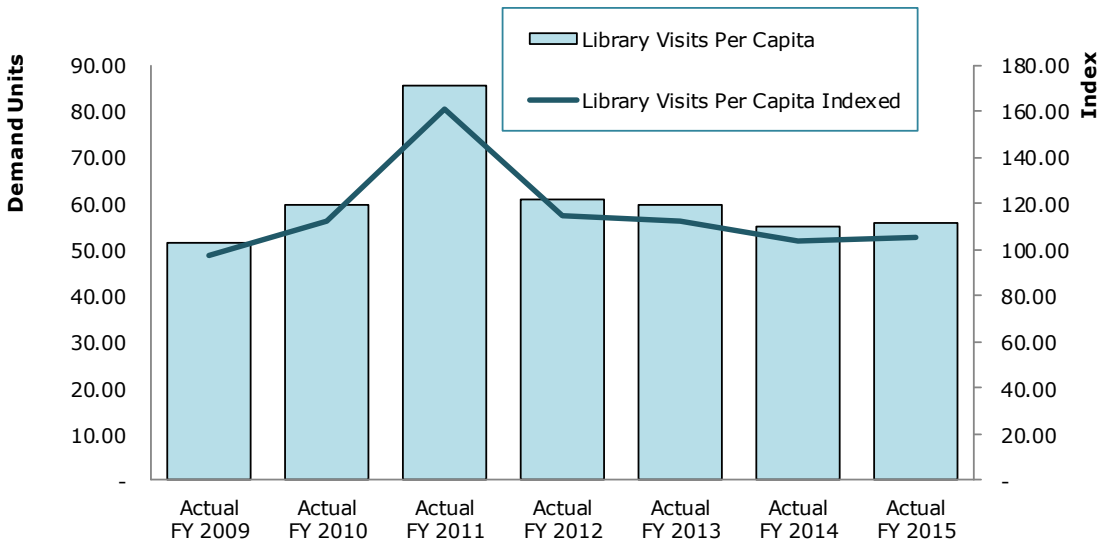
Library Visits – Physical and Virtual Per Capita is an indicator of the residents demand for both the Library's physical presence and its increasing virtual presence. The indicator is made up of the number of visitors per hour to the library facilities, as taken by door counts, and the number of virtual visitors.

The number of visitors to the library and the virtual visitors are adjusted to a per capita number, reflecting minimal marginal impact on demand for resources.

Trend & Analysis

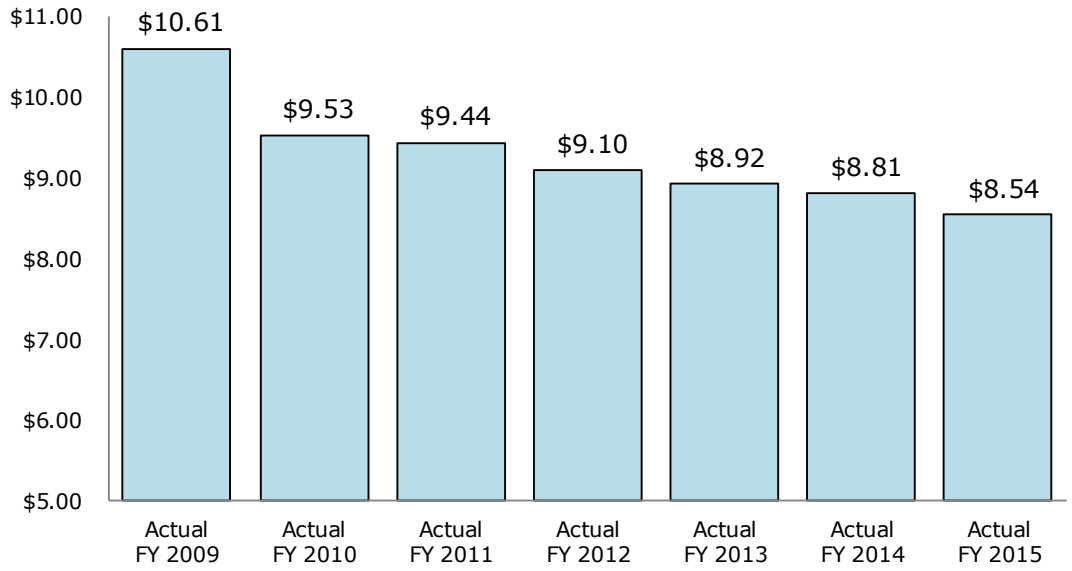
The demand for library services as measured by library visits is down from its height in FY 2011. The FY 2014 index is 104.07. The use of Library services, much like other public services, tracks closely to the economy. During the economic downturn the library experienced an increase in visitors, many of whom were using the facilities and computers to search for jobs or to file for services.

Library Visits - Physical and Virtual Per Capita



Source: Public Library Survey for Union County, FY 2008 = 100

Library Cost Per Capita in Constant $



Source: Pulbic Library Survey for Union County

This increase in computer usage can be seen in the number of users on internet computers. In FY 2008, there were 88,733 users of internet computers, by FY 2011, this number had ballooned to 115,377, a thirty percent increase in three years. By FY 2015, this number had decreased to 79,830, the lowest level in the index.

In addition to computer users, in FY 2011, the number of visitors to library facilities experienced a significant jump. In FY 2008, there were 644,050 visitors, but by FY 2011, this number had grown to 757,310. Like computer usage, by FY 2015, the number of physical visitors had decreased to 556,016, with an increasing virtual presence.

The character of libraries is changing in nature, with visitors coming to the facilities to participate in programming and to gather for events. The traditional library focused on book borrowing is changing. This shift will impact the future service demands and facility needs.

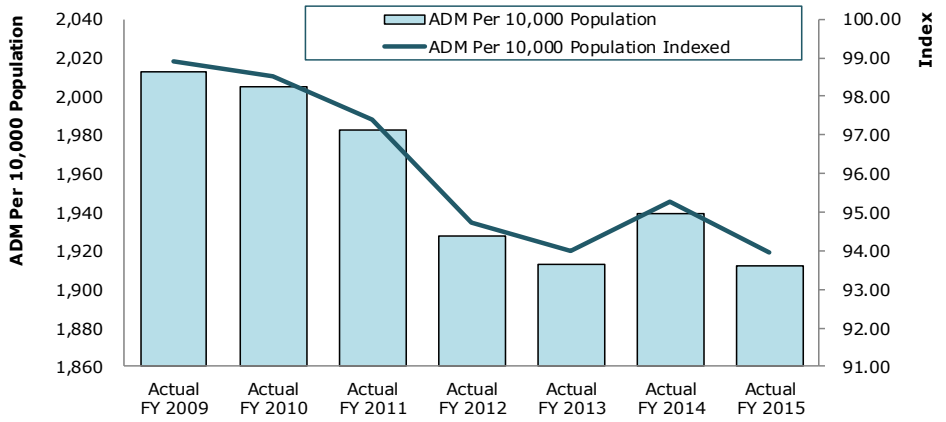
Another aspect that can be considered is the per capita cost of Library Services. While the use of the library is voluntary, the cost of the Library Services is funded primarily through the general tax dollars.

The demand for the Library Services saw a spike in FY 2011. However, the cost for providing those services, on a per capita basis has seen a steady decrease.

Indicator: Average Daily Membership per 10,000 Population

The Final Average Daily Membership (ADM) measures the number of students in the Union County Public School system. The ADM is calculated by using the total days in membership for all the students during the school year, divided by the number of days the school was in session. The ADM represents a fairly accurate indicator of the demand on the school system. When this indicator is used per 10,000 population, it becomes a good indicator of the impact of the ADM on the County and the increase in demand driven by UCPS.

ADM Per 10,000 Population Indexed



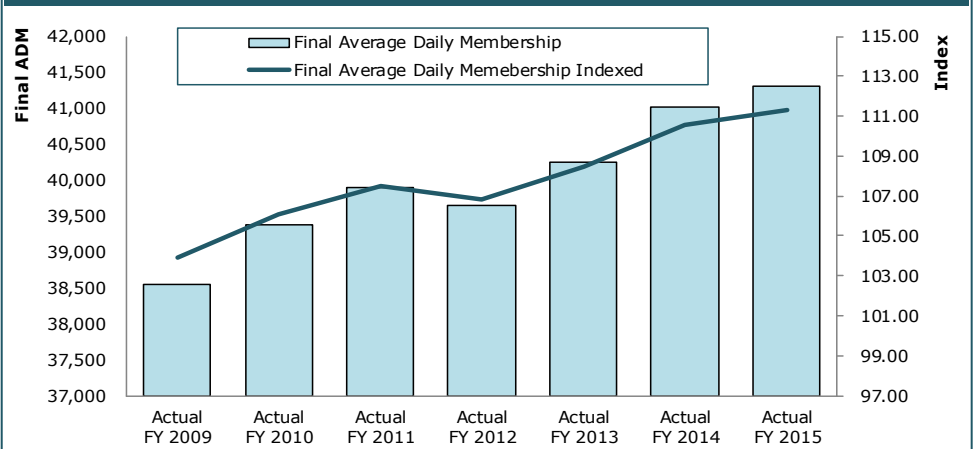
Source: Union County Public Schools CAFR, FYE June 30, 20xx, FY 2008 = 100

The quality of this indicator can be measured by its relative impact on the total demand. For instance, if you consider the ADM Per 10,000 Population demand units in FY 2015 of 1,912.24 as a percentage of the total demand units of 3,433.47, or 55.7 percent of the total demand units. In FY 2015, including debt, UCPS represented about fifty-eight percent of the historically general fund expenditures. Typically, this percentage ranges from fifty to sixty percent.

Trend & Analysis

As the trend in the graph above indicates, the ADM Per 10,000 Population has seen a dramatic decrease from FY 2008 to FY 2015 actually showing a decline of six percent. This indicates that the growth in ADM, as shown on the graph to the right, is largely due to the in-migration versus the organic growth in the County.

Final Average Daily Membership Indexed



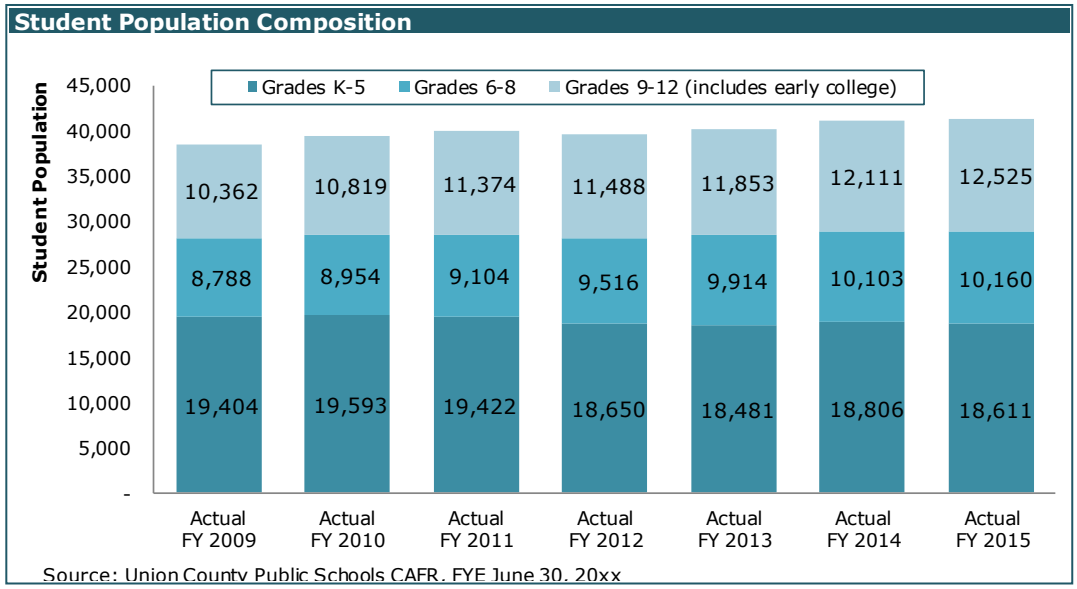
Source: Union County Public Schools CAFR, FYE June 30, 20xx, FY 2008 = 100

Using the Final Average Daily Membership, unadjusted for population, we can evaluate the real impacts of growth on Union County Public Schools.

From FY 2009 to FY 2015 the Final Average Daily Membership grew by 7.1 percent, or about 1.2 percent on an average annual basis. As we will see in the population indicator, this is more than half of what the general population in the County grew during the same time period.

The recent demographic reports, as discussed in the Financial Projections section of this document, forecast

limited growth in the future for UCPS. This combined with the proliferation of charter schools and other primary educational offerings, could significantly impact this indicator in the future.



In addition to the consideration of growth in UCPS as a driver of resource need, a school system should be evaluated in light of the composition of the students. As the graph indicates, while the largest portion of the student population is consistently the elementary age, K-5, there is a growing percentage of students in grades 9-12.

The student population clearly demonstrates a "bubble" of students moving through the system. Adjusting long-term plans for the impact following the student bubble will be a challenge. The system as a whole is anticipated to move into a more stable population and not the high growth experienced in recent history.

One item that is not reflected in the ADM information is the geographic composition of the student population. As can be expected, as the western portion of the County continues to be the high growth area, the schools at all levels will experience higher enrollment. This phenomenon creates a localized over-crowding while the system as a whole continues to be well below capacity.

In addition, given the demographic patterns and enrollment forecasts, consideration must be given to the notion that the overcrowding may be more of a temporary phenomenon, and as such short-term strategies may be more cost effective versus building costs to provide permanent capacity. These demographic shifts will be a key consideration during any discussion of a possible general obligation bond election.

Indicator: Social Service Client Visits Per 1,000 Population

A portion of the demand for services in the Department of Human Services can be measured through client visits. Client visits indicate the actual touches with the population served and the demand on staff for providing those services.

Social Service Client Visits are adjusted to per 1,000 population to properly evaluate the impact of this demand in the context of the total demand for services.

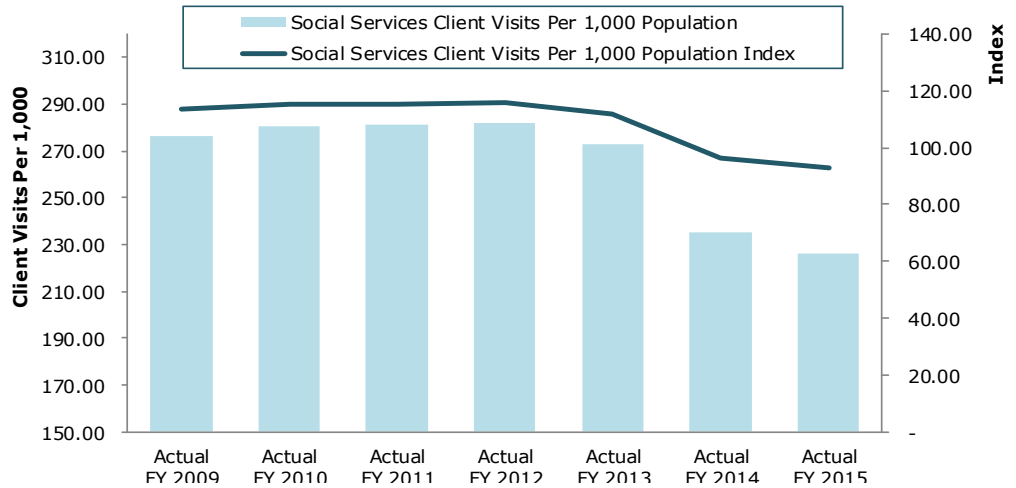
Trend & Analysis

Social Service Client Visits per 1,000 Population has shown a decline during the past couple of years. This decline is to be expected in Social Services. Much like the Library Indicator, there was intense growth in service demand during the latest economic downturn. With the improving economy it can be expected that we will continue to see improvement, meaning reduced visits in this indicator.

Another aspect of Social Services Client Visits is the demand placed on the staff. While there is a positive trend occurring related to the number of visits, there appears to be relief in the load per FTE. As the graph indicates, in FY 2015, the load on each FTE was 9.55 percent greater than in FY 2008. This is down from the peak year in FY 2012, when the load was 38.51 percent higher than FY 2008. In Social Services, the FTE load can be directly translated to risk, meaning the higher the load the higher the risk to the organization.

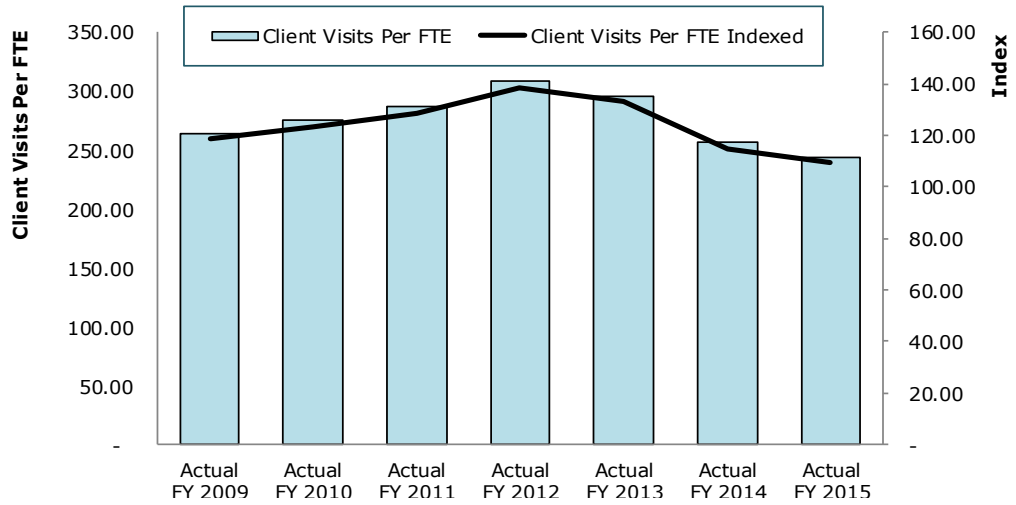
The declining load is primarily due to the declining number of visits as well as the increased staffing provided. These two factors have worked to reduce risk to the organization.

Social Service Client Visits Per 1,000 Population



Source: Union County Administrative Services, FY 2008 = 100

Client Visits Per FTE



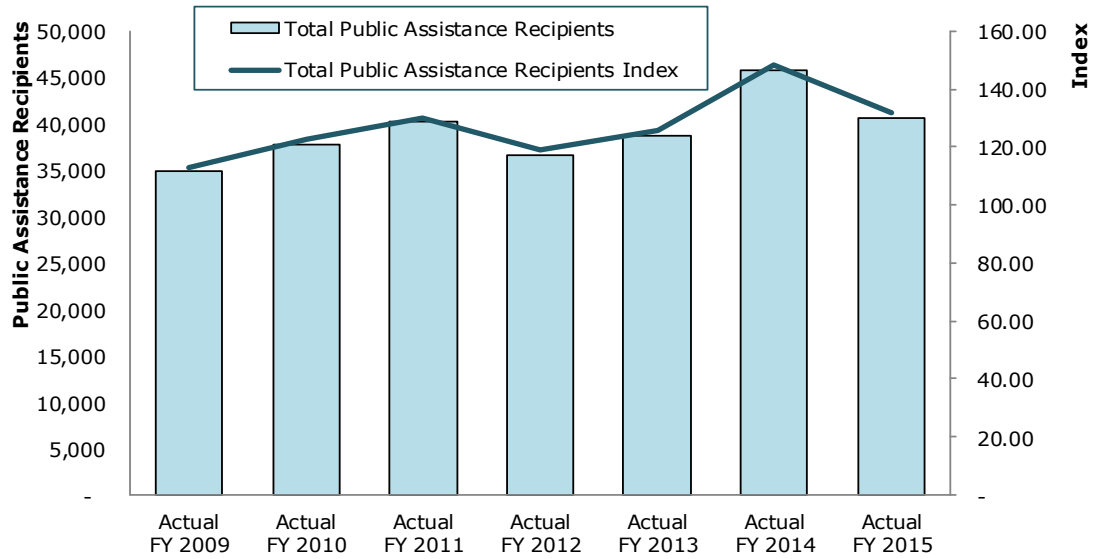
Source: Union County Administrative Services, FY 2008 = 100

Beyond the number of visits and FTE load, Social Services provides an indicator of the community and its economic health. This can be evaluated through the number of Public Assistance recipients. As the graph indicates, although the County experienced a reduction in recipients in FY 2012, there were significant increases in FY 2013 and FY 2014.

In FY 2015, there are 31.56 percent more recipients than in FY 2008. A deeper review of this growth in recipients provides an idea of primary area of impact.

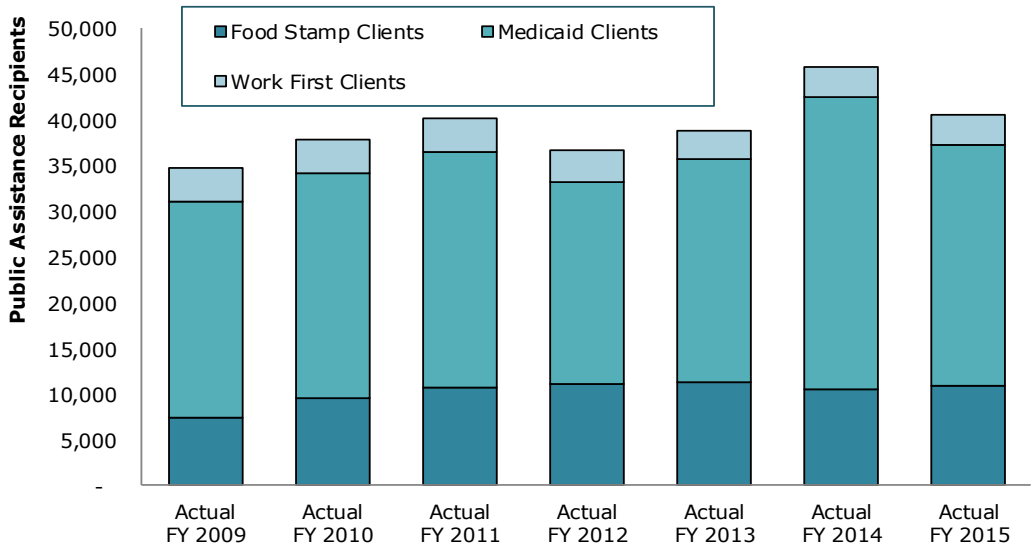
While the recipients of food stamps and the Fork First Program services are holding relatively steady, the passage of the Affordable Care Act (ACA) and changes in the Medicaid program have led to increases in the number of recipients during FY 2013 and FY 2014. However, in FY 2015, Medicaid clients declined by 17.23 percent or about 5,500 clients.

Public Assistance Recipients



Source: Union County Administrative Services, FY 2008 = 100

Public Assistance Recipients by Type



Source: Union County Administrative Services, FY 2008 = 100

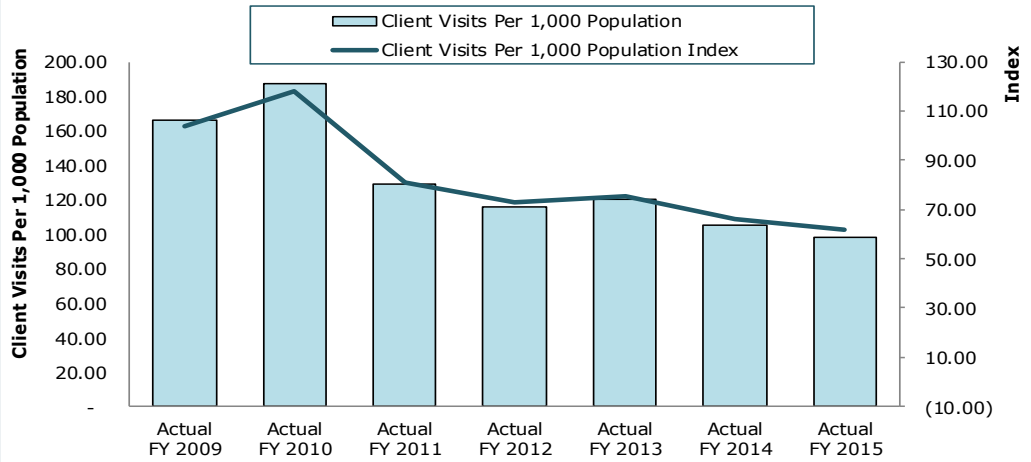
Given the implementation of NCFAST and continually changing eligibility rules, the reported number of Medicaid clients has fluctuated. While it is possible that the underlying number has not changed materially, because of this fluctuation, this is a trend that should be monitored. Future changes to the program and its impact on staffing levels should be monitored as an indicator to the community as a whole.

Indicator: Health Department Client Visits Per 1,000 Population

A portion of the demand for services in the Department of Human Services can be measured through Health Department Clinic Visits. Clinic visits indicate the actual touches in clinic with the population served and the demand on staff for providing those services.

Health Department Client Visits are adjusted to Per 1,000 population to properly weight the impact of this demand in the context of the total demand for services. Note: the demand is inclusive of all employees of the agency and not those with direct contact to the client.

Client Visits Per 1,000 Population



Source: Union County Administrative Services, FY 2008 = 100

Trend & Analysis

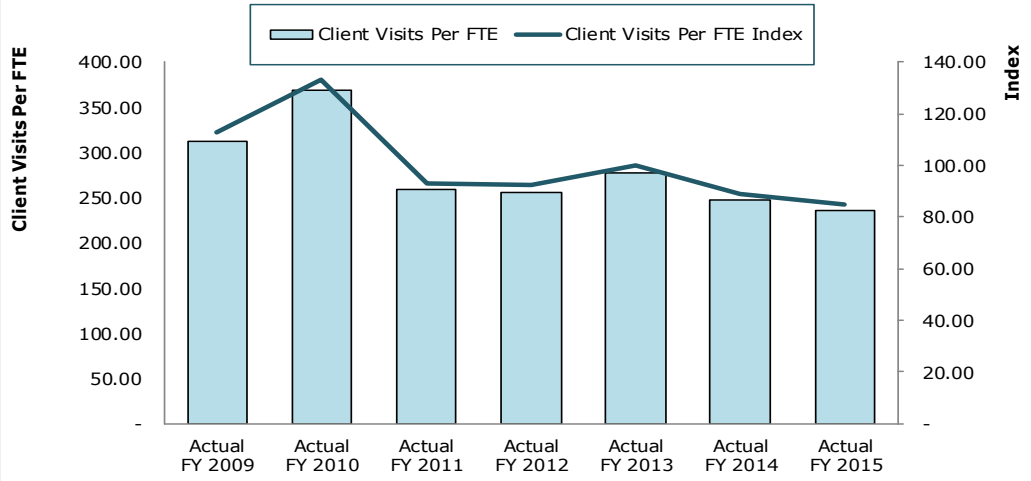
Health Department Client Visits per 1,000 Population has seen a drastic decline since FY 2010.

The decline in this indicator, since 2010, is indicative of a large public health outreach that provided H1N1 influenza vaccinations to all Union County residents. The National effort from the Centers for Disease Control (CDC) presented itself as an outlier noting that each recipient of the vaccine was counted in the total visit count for that year.

In addition, part of the reduction are improvements in the provision of services such as long term birth control methods that require less clinical visits and the decrease in influenza vaccine clinics due to the legislative changes that allow non-traditional providers to provide these services.

Health Department Client Visits and the load placed on each FTE to provide services is an indicator of demand as well as an indicator of possible risk. As the table above indicates, since the peak in FY 2010, there has been a 36 percent decline in the client visits per FTE through FY 2015.

Client Visits Per FTE



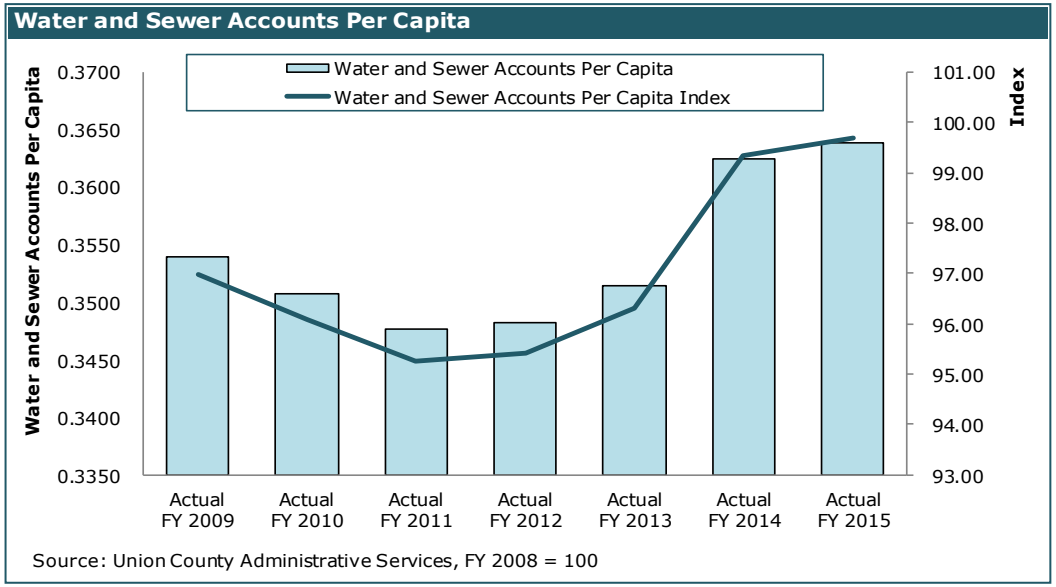
Source: Union County Administrative Services, FY 2008 = 100

This trend indicates that possible additional analysis is needed to ensure that the services being offered match the services needed and that resources are allocated in the greatest areas of need within Human Services.

Indicator: Water and Sewer Accounts per Capita

Water and Sewer Accounts Per Capita provide an indication of the growth in the County and the increasing demand on the water and sewer system. While not all new residents or existing residents are customers of the County's utilities, it still provides a good indication of growth.

In addition, given the number of accounts and the impact of the growth, this indicator is measured on a per capita basis, as it reflects a minimal per unit impact of service demand.

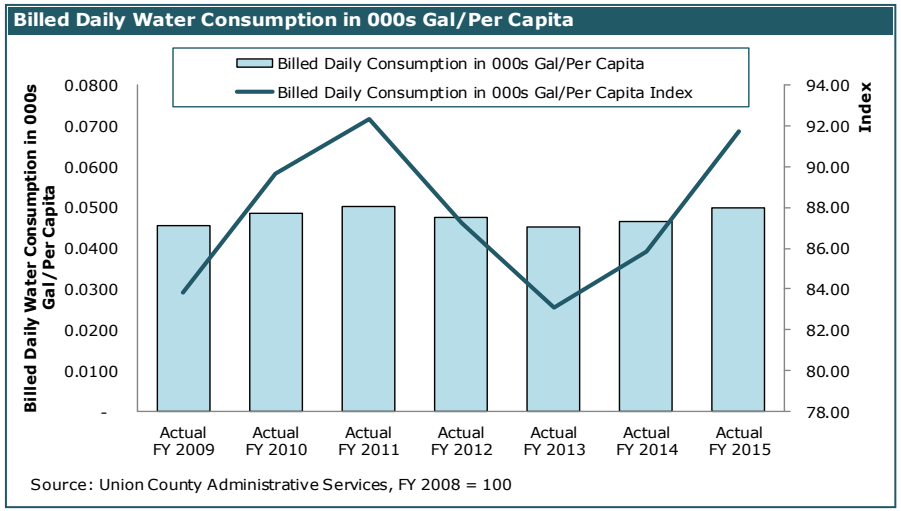


Source: Union County Administrative Services, FY 2008 = 100

Trends and Analysis

The Index for Water and Sewer Accounts Per Capita is at 99.69 meaning that the demand for water and sewer service is consistent with the FY 2008 demand. The only driver is growth in the population. The analysis indicates that the growth in customers will come through the growth or in-migration, not as much from organic growth within existing populations. Since FY 2008, the total number of water and sewer accounts, unadjusted for population has increased by 18.1 percent or an average of about 2,000 accounts annually.

Indicator: Billed Daily Water Consumption in 000s Gal/Per Capita



Source: Union County Administrative Services, FY 2008 = 100

An additional indicator of Water and Sewer Demand is the Billed Daily Water Consumption in 000s Gal/Per Capita. This indicator looks at the usage of the system adjusted for population growth.

Given the level of usage and the impact on other services indicated by this indicator, it is measured on a per capita basis. It reflects a minimal impact on service delivery.

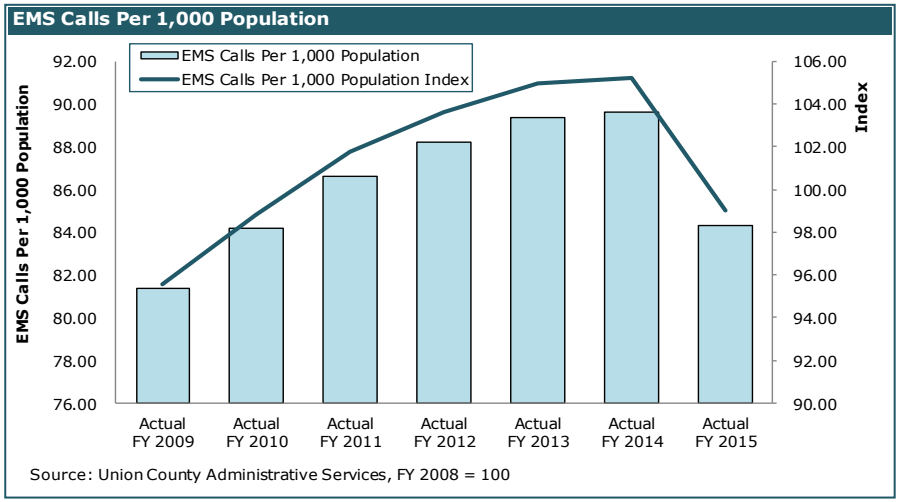
Trend & Analysis

The Billed Daily Water Consumption in 000s Gal/Per Capita index for FY 2015 is 91.72. This shows about an eight percent decline in usage on a per capita basis. This indicates, much like the number of accounts, that the growth in the system is coming through

growth in population, while the existing customer base is not purchasing as much water as they have historically. However in FY 2015, compared to FY 2014, the consumption was 6.86 percent higher.

It is worthwhile to note that while customer behavior plays a role in the billed amount, weather patterns (specifically the amount of rainfall), have a significant impact on this indicator.

Indicator: EMS Calls per 1,000 Population



EMS Calls per 1,000 Population reflect the demand placed on the EMS System by increasing usage. The number of calls, as provided in the table provides a look at the absolute increase in the number of calls, unadjusted for population growth.

Calls are broken into four groups: Routine Calls, Routine Calls Without Delay, Emergency Calls, and Scheduled Calls.

This indicator is adjusted to Per 1,000 population to properly weigh the impact of this demand in the context of the total demand for services.

EMS Calls Type	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015
Rout. Calls	2,630	2,269	2,325	2,009	2,516	2,439	2,185
Rout. Calls W/O Delay	2,120	3,107	3,448	3,991	4,485	5,118	5,098
Emergency Calls	10,741	11,067	11,527	12,009	11,642	11,374	10,743
Scheduled Calls	95	84	140	146	165	25	180
Total Calls	15,586	16,527	17,440	18,155	18,808	18,956	18,206

Trend & Analysis

As indicated on the graph on the following page the EMS Calls per 1,000 Population index is 99 in FY 2015, down significantly from 105.23 in FY 2014. Looking at the growth in the raw data, the system is growing at about 2.26 percent annually, while between FY 2014 and FY 2015 there has been a decline in the number of total calls.

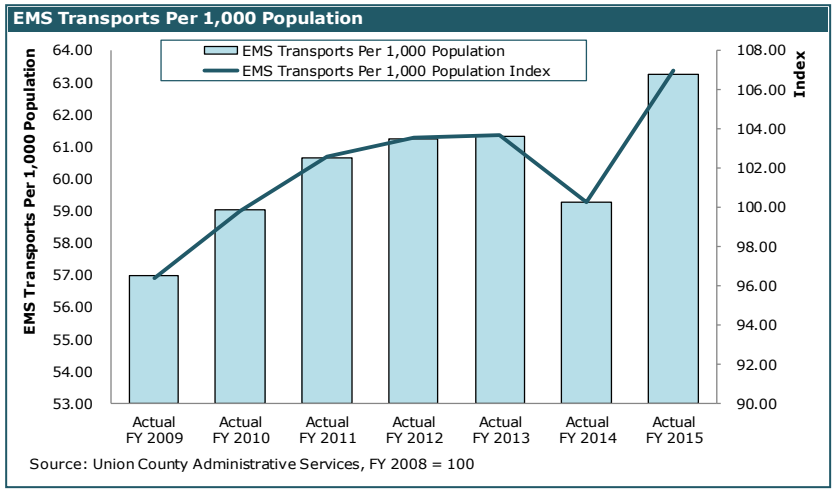
Indicator: EMS Transports per 1,000 Population

EMS Transports per 1,000 Population represent the number of times that EMS actually transports the patient, adjusted for population.

Transports are funded a number of different ways. The table shows the number of transports by funding source.

Transport Type	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015
Private	3,714	3,758	1,971	2,767	2,888	2,736	2,392
Insurance	1,648	1,668	2,843	2,991	2,905	3,152	3,949
Medicare	4,656	5,123	5,678	5,200	5,524	5,114	5,451
Medicaid	893	1,037	1,713	1,639	1,583	1,538	1,870
Total Transports	10,911	11,586	12,205	12,597	12,900	12,540	13,662

Trend & Analysis



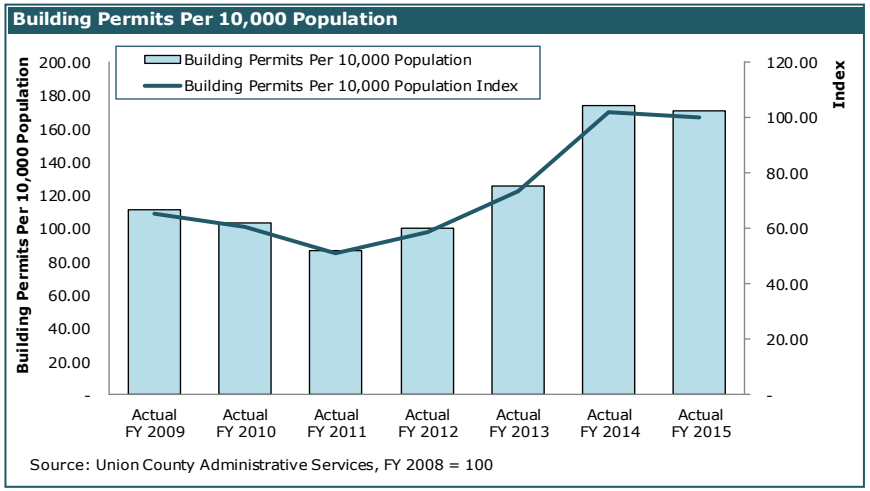
As the graph indicates, the demand for transports has been relatively steady when analyzed against changes in population. The FY 2015 index number of 107, indicates that demand for transport grew significantly from 100.26 in FY 2014.

When taken into consideration with the number of calls, the indicators show that from FY 2009 to FY 2010, on average, 69.04 percent of the calls resulted in transport, while in FY 2015, that number increased by 6 percent to 75.04 percent. The increases in transports came in the insurance transports, with a 25.28 percent increase, and a 10 percent increase in Medicare/Medicaid transports.

Indicator: Building Permits per 10,000 Population

Building Permits Per 10,000 Population provides an indicator of the construction activity within the County during the fiscal year. While the permit itself has little impact on County services, it represents a significant impact on County services. The building, whether commercial or residential will require some level of County services, ranging from fire services and law enforcement, to educational services.

Because of the impact of each unit on County services, this indicator is per 10,000 of population, representing one of the highest impact indicators in the DSI.



Trend & Analysis

As the graph above indicates, FY 2011 signaled the lowest number of permits during the index period. The FY 2015 index of 100.35, indicates, that the number of building permits issued in relationship to population is about where it was in FY 2008. This would indicate that the growth in this indicator comes through the change in population, versus organic or underlying growth.

The number of building permits issued for commercial units increased by 29.75 percent or 119 units in FY 2015, from FY 2014. This is 309 more permits issued than the lowest point in FY 2011. During that same period residential units are down 3.29 percent from FY 2014 to FY 2015 and are up 1,640 permits from the low in FY 2011.

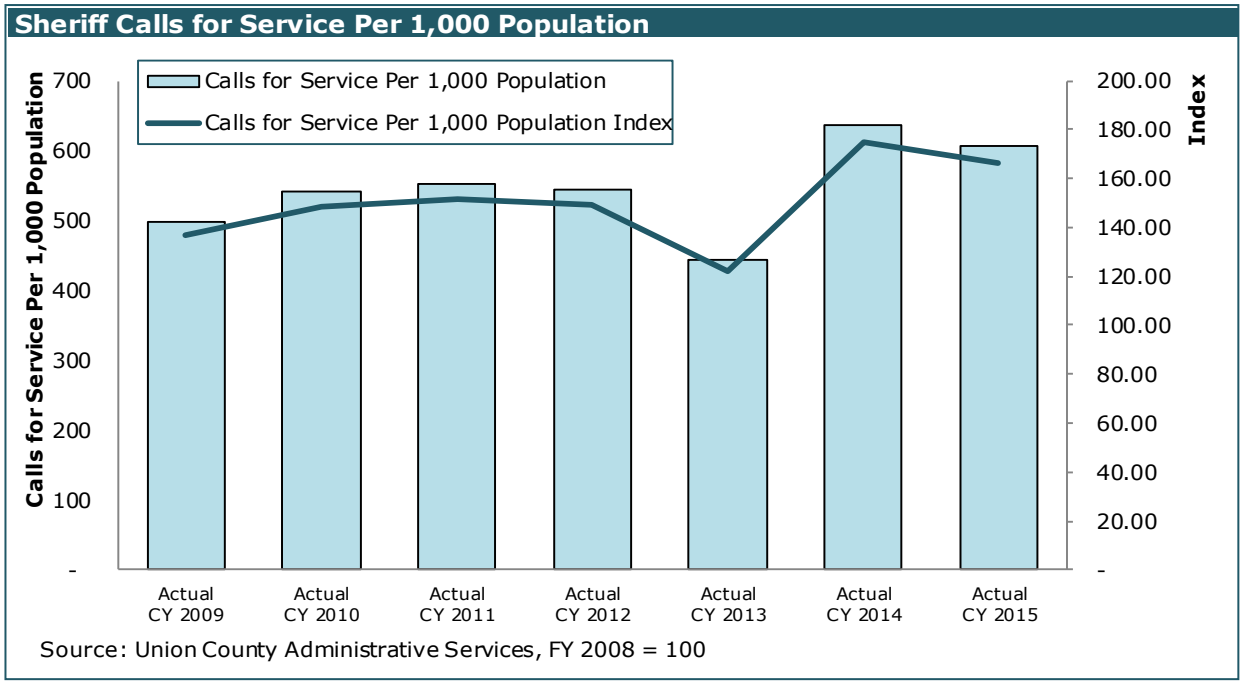
This trend warrants consistent monitoring and is included in the Monthly Management Report for the County. New units permitted could, in some cases, indicate a changing demand for services.

Indicator: Sheriff Calls for Service Per 1,000 Population

Sheriff Calls for Service per 1,000 Population provides an indicator of the demand for law enforcement. The Sheriff's Office serves as the largest law enforcement unit in the County.

Sheriff Calls for Service are adjusted to per 1,000 population to more accurately reflect their impact on the demand for services and the impact on resources.

This indicator is measured on the calendar year not the fiscal year.



Trend & Analysis

Sheriff Calls for Service per 1,000 Population index for CY 2014 is 166.57. This is a significant increase from CY 2008 but a decrease of 2.74 percent from CY 2014. In CY 2015, there were 130,863 calls for service, almost doubling the CY 2008 number.

This trend indicates a need for further analysis and monitoring. Additionally, this indicator could be indicative of other service and resource demands.

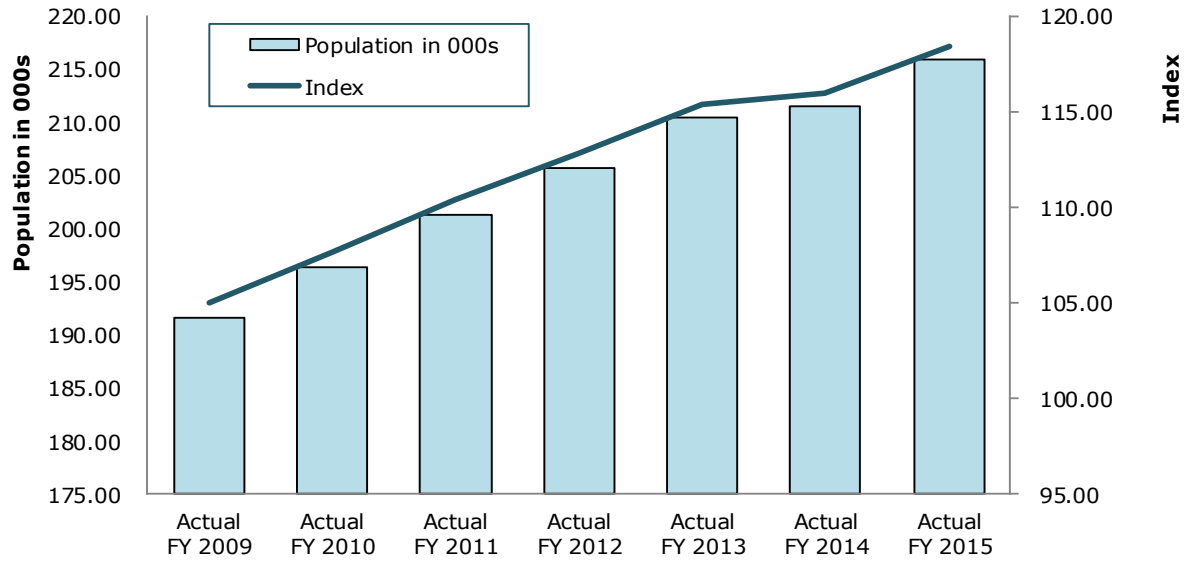
Indicator: Population in 000s

Population in 000s represents a proxy for growth of the entire County and as such represents the growth in demand for services. While many of the indicators used in the DSI focus on adjusting for the population growth, population as an indicator ensures that the DSI is reflective of the true growth in the demand for services.

As with other indicators, this indicator is adjusted to the 1,000 level to accurately reflect the increase in demand for each additional 1,000 of population growth.

Trend & Analysis

Population in 000s



Source: Union County Administrative Services, FY 2008 = 100

The Population in 000s index is 118.42, meaning that since FY 2008 the population has grown by 18.42 percent. From FY 2008 to FY 2015, the population has grown by about 2.13 percent annually. While this growth is significant, it represents a more manageable growth rate than experienced in the late 1990s and early 2000s.

This trend will continue to be monitored and evaluated for its impact on service demand.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