

Building a Fiscally Sustainable Future

Union County, North Carolina, Finance Department

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

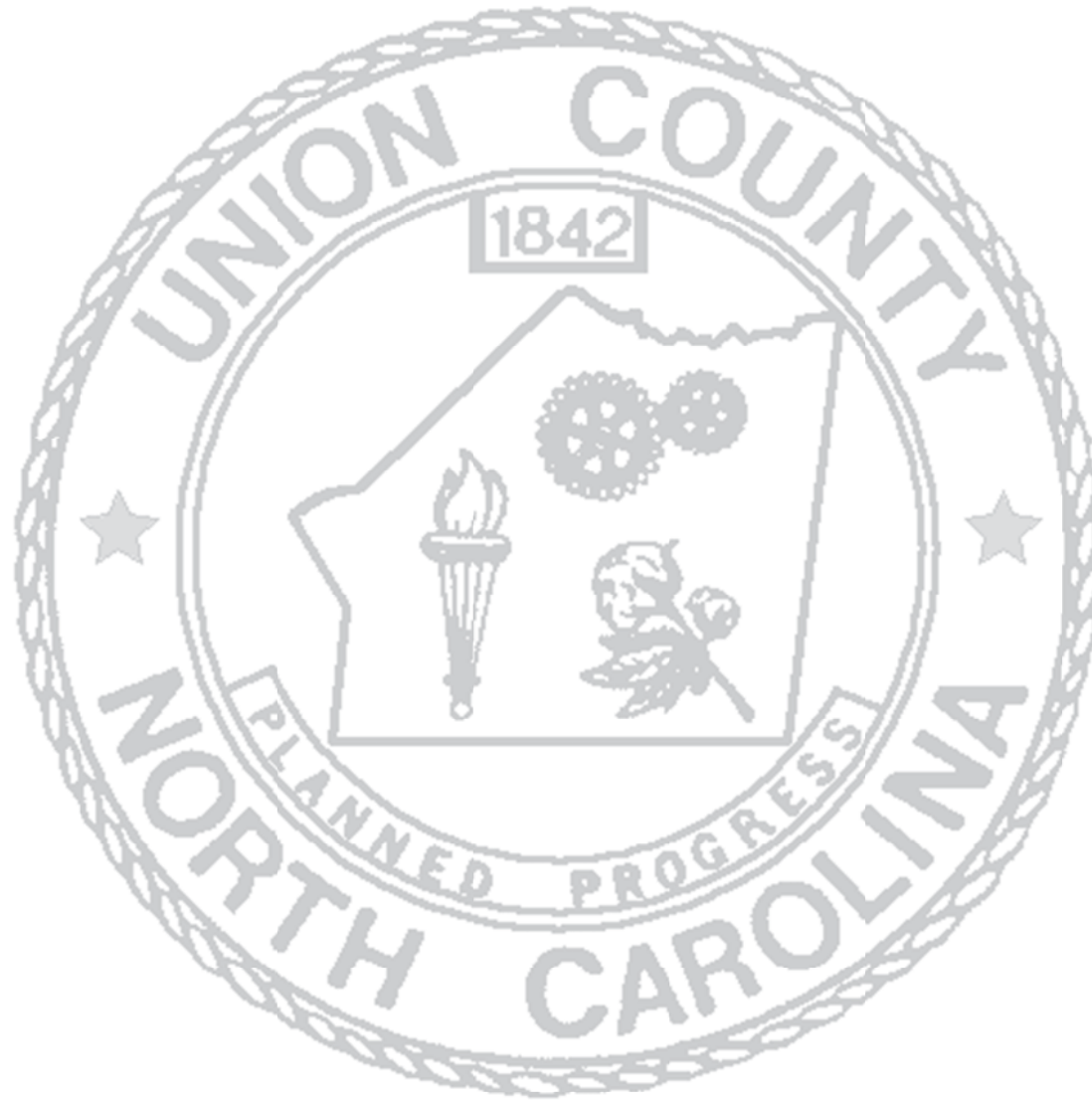
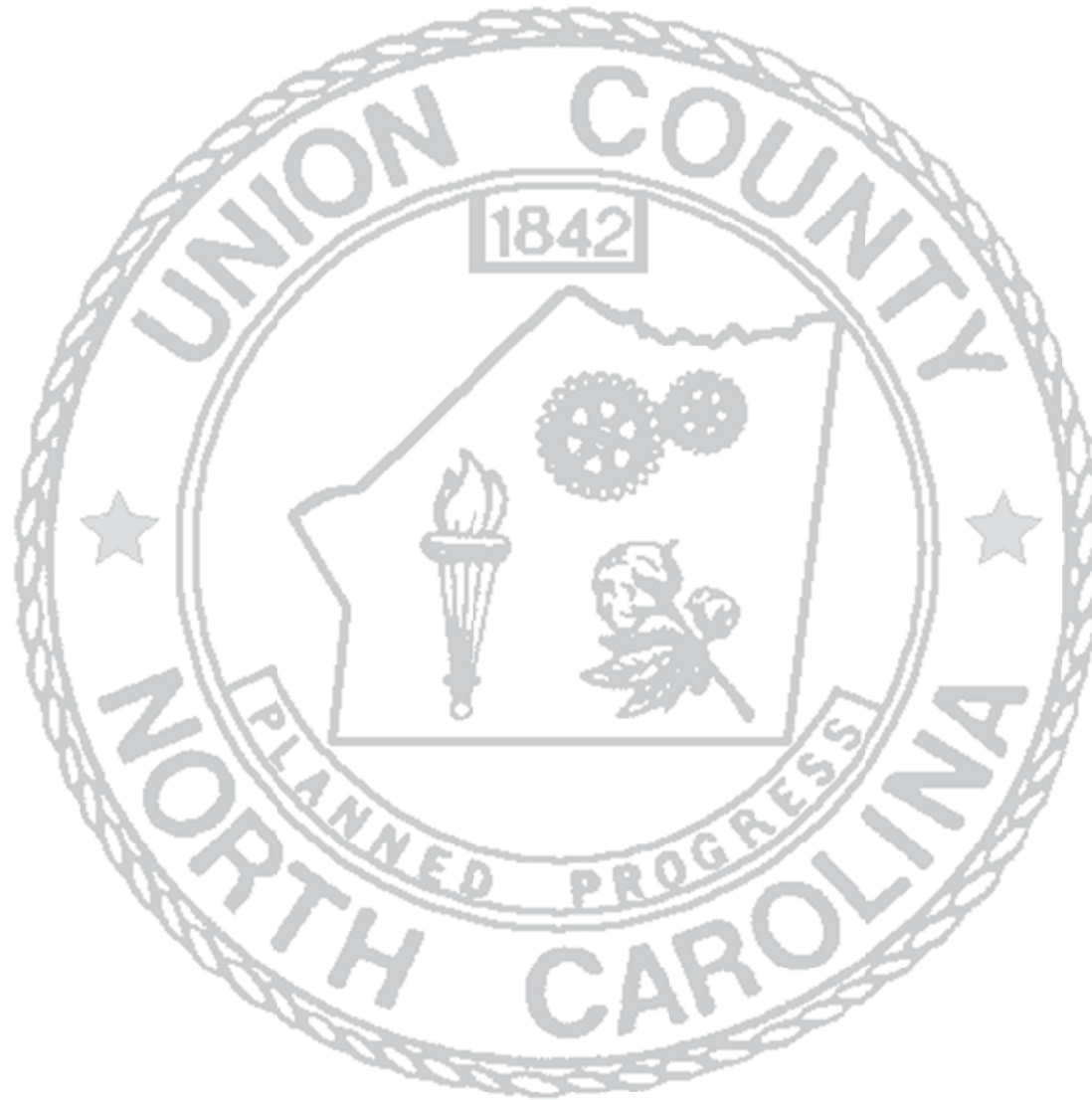


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Executive Summary

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; however, studying forward trends helps to estimate the future impact of current policies and financial decisions.

Traditionally, the financial projections have strictly 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 services.

With this in mind, the FY 2016 five-year projection provides a four pronged approach.

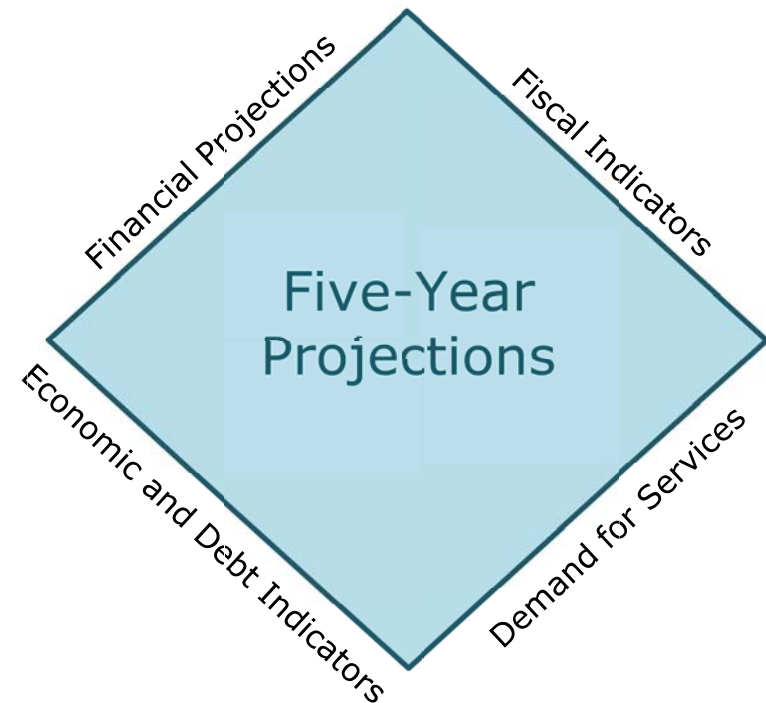
Financial Projections offer a statistically valid projection of future costs and revenues. This core information provides a basis for decision making in the upcoming budget process as well as some general indications concerning the anticipated resource requirements for the future.

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 that 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) Economic and Debt Indicators section provides an overview and a 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:

This year's projection excludes 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 2016. It was determined that the changes made during the FY 2016 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.

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General Fund Financial Projection

	Actual FY 2014	Revised FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Sources								
Ad Valorem Taxes	\$ (165,029,950)	(76,391,825)	(76,655,728)	(77,575,878)	(78,508,177)	(79,452,810)	(80,409,964)	(81,379,831)
Local Option Sales Taxes	(29,449,465)	(30,093,981)	(30,996,800)	(31,926,704)	(32,884,506)	(33,871,041)	(34,887,172)	(35,933,787)
Other Taxes	(2,410,251)	(2,383,000)	(2,499,830)	(2,540,078)	(2,581,175)	(2,623,143)	(2,666,003)	(2,709,778)
Unrestricted Intergovernmental Revenue	(75,773)	(82,500)	(82,500)	(83,940)	(85,409)	(86,907)	(88,435)	(89,994)
Restricted Intergovernmental Revenue	(10,195,143)	(10,931,560)	(10,981,716)	(11,128,129)	(11,276,928)	(11,428,159)	(11,581,870)	(11,738,111)
Federal Grants	(14,965,362)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)
State Grants	(4,194,339)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)
Non-Enterprise Charges for Services	(9,428,436)	(9,537,161)	(9,749,666)	(9,944,659)	(10,143,552)	(10,346,423)	(10,553,352)	(10,764,419)
Debt Proceeds	(5)	-	-	-	-	-	-	-
Investment Income	(391,543)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Other Revenue	(7,075,905)	(6,901,931)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)
Interfund Transfers	(1,576)	-	-	-	-	-	-	-
Total Sources	\$ (243,217,748)	(157,894,938)	(159,173,360)	(161,406,508)	(163,686,866)	(166,015,602)	(168,393,916)	(170,823,039)
Uses								
Employee Compensation	\$ 36,290,619	39,065,402	40,825,925	42,571,946	43,846,938	45,160,179	46,512,818	47,906,036
Employee Benefits	20,176,147	22,434,260	24,286,947	25,833,118	27,350,729	28,978,166	30,723,234	32,594,403
Operating Costs	31,944,327	33,464,501	34,617,878	35,446,995	36,310,671	37,241,030	37,586,990	38,248,976
Capital Outlay	1,847,328	1,624,544	1,682,022	1,703,663	1,725,736	1,748,251	1,771,216	1,794,640
Contracts, Grants, and Subsidies	6,082,858	5,886,292	6,004,018	6,124,098	6,246,580	6,371,512	6,498,942	6,628,921
UCPS Current Expense Funding	82,260,408	-	-	-	-	-	-	-
Volunteer Fire Department Funding	546,868	1,535,396	2,035,396	2,535,396	2,662,166	2,795,274	2,935,038	3,081,790
EMS Contract	4,332,073	5,279,955	7,829,955	7,790,778	7,907,780	8,089,736	8,315,730	8,548,561
General Fund Related Debt Debt Service	2,103,957	3,472,402	3,403,180	3,324,247	3,252,402	4,240,233	2,948,092	2,077,476
UCPS Related Debt Service	43,283,124	44,922,925	43,666,549	43,444,618	42,162,664	39,813,153	37,017,169	32,986,697
Interdepartmental Charges	(6,034,481)	(1,602,626)	(1,634,679)	(1,667,372)	(1,700,720)	(1,734,734)	(1,769,429)	(1,804,817)
Interfund Transfers	17,943,931	11,934,600	2,410,667	1,746,381	1,242,783	459,908	477,788	496,460
Contingency	-	1,081,358	500,000	525,000	551,250	578,813	607,753	638,141
Total Uses	\$ 240,777,159	169,099,009	165,127,859	168,853,868	171,007,730	172,862,708	173,017,589	172,559,142
Sources (Over)/Under Uses	\$ (2,440,589)	11,204,071	5,954,499	7,447,360	7,320,864	6,847,106	4,623,673	1,736,103
General Fund Reserve Over/(Under) Policy	\$ -	-	(6,020,270)	(14,979,536)	(23,527,266)	(31,572,011)	(37,085,060)	(39,620,884)
Over/(Under) %			3.61%	4.41%	4.28%	3.96%	2.67%	1.01%
Variance to Sensitivity % goal is +/- 3%			0.61%	1.41%	1.28%	0.96%	-0.33%	-1.99%

Financial Projections

During the projection period, from FY 2016 through FY 2021, the current projection reflects an annual operating deficit each year. As the table below indicates, during the projection period, the average annual deficit is \$5.3 million.

While traditionally, the driver of the deficit was the transfer to capital program, this is no longer the case. The largest driver of the deficits, primarily in the earlier years of the projection, is the growing cost of funding the Volunteer Fire Departments (VFD) and the funding of the Emergency Medical Services (EMS).

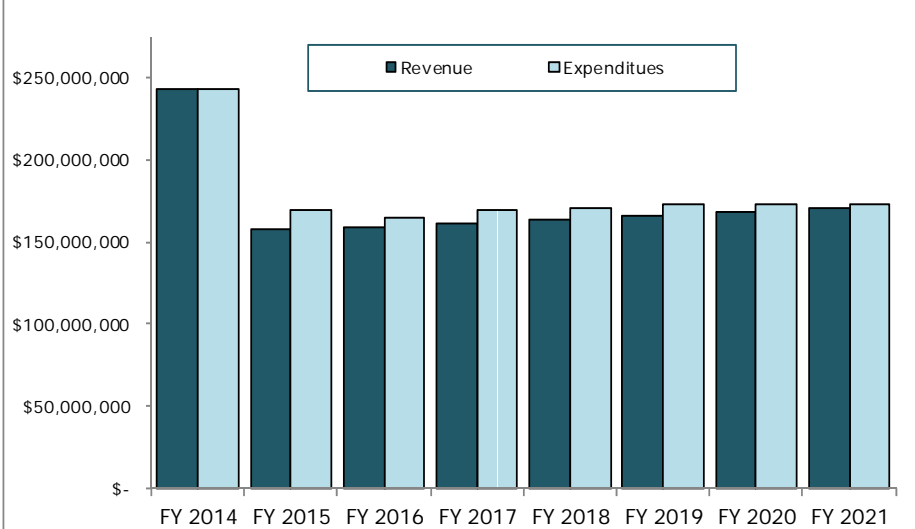
	Key Drivers			Annual Growth
	EMS Funding	VFD Funding	Total	
FY 2014	\$ 4,332,073	546,868	4,878,941	
FY 2015	5,279,955	1,535,396	6,815,351	1,936,410
FY 2016	7,829,955	2,035,396	9,865,351	3,050,000
FY 2017	7,790,778	2,535,396	10,326,174	460,823
FY 2018	7,907,780	2,662,166	10,569,946	243,772
FY 2019	8,089,736	2,795,274	10,885,010	315,064
FY 2020	8,315,730	2,935,038	11,250,768	365,757
FY 2021	8,548,561	3,081,790	11,630,350	379,583



Note on UCPS Funding:

Funding for the Union County Public Schools is no longer accounted for as part of the General Fund. The only costs related to UCPS in the General Fund is the ongoing debt service related to UCPS Facilities, the School Resource Officer Program, and the cost of maintaining the Central Administration Facility.

General Fund Revenue and Expenditures



Note: From FY 2014 to FY 2015, UCPS Current Expense Funding and Capital Funding were moved to the Schools Budgetary Fund.

Excluding the EMS and VFD funding, the remainder of the General Fund remains relatively flat. This is largely due to the reduction each year in debt service and the benefits of a declining debt service structure.

During the projection period revenues are projected to grow an average of about 1.3 percent annually, while expenditures are anticipated to grow by just .4 percent. While revenue growth during the projection does out pace expenditure growth, the initial years in the projection indicate an initial structural imbalance. It is this initial imbalance that continues the deficit through the projection window and is eventually reduced by the end of the FY 2021 projection period.

New to the projection this year, although discussed at length during the budget process in FY 2015, is the indicator of "Variance Sensitivity". The variance sensitivity is an indicator of the historical variance to estimated revenues and expenditures. The process of projecting revenues and expenditures yields 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.

With this variance sensitivity in mind, 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.

The Adopted FY 2014-15 Operating and Capital Budget Ordinance sets out that the General Fund Reserve is twenty percent of the General Fund and Schools Budgetary Fund Expenditures. Applying this calculation, including the other budgetary actions taken by the Board of County Commissioners, there is about \$1.3 million of Unassigned Fund Balance available for appropriation.

General Fund Fund Balance as of 12/31/14

General Fund Balance as of June 30, 2014	\$	80,147,839
Less: Non-Spendable Fund Balance		(204,937)
Less: Restricted Fund Balance		(14,979,838)
Less: Committed Fund Balance		(31,916,595)
Less: Assigned Fund Balance		(31,743,278)
Total Unassigned Fund Balance Available for Appropriation		\$ 1,303,191

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 less than one percent of the total General Fund expenditures. The positive unassigned fund balance of \$1.3 million means that the Board of County Commissioners' reserve policy levels have been met and exceeded by just \$1.3 million.



UCPS Funding

During the 2014 General Assembly Session Law 2014-9 became law, establishing the FY 2015 and FY 2016 funding parameters for UCPS. Based on those funding parameters, staff has provided an initial projection of UCPS Current Expense Funding and Capital Funding for FY 2017 and beyond.

UCPS Funding			
	Current Expense	Capital PayGo	Total
FY 2015	\$ 87,097,884	19,531,582	106,629,466
FY 2016	89,890,367	19,786,024	109,676,391
FY 2017	93,485,982	20,023,931	113,509,913
FY 2018	97,225,421	20,264,961	117,490,382
FY 2019	101,114,438	20,509,162	121,623,600
FY 2020	105,159,015	20,756,581	125,915,596
FY 2021	109,365,376	21,007,267	130,372,643

As the table indicates, during the projection window, applying the legislation into the future, the Current Expense funding will grow on average 3.87 percent annually. The Current Expense funding is tied to the growth in average daily membership, currently projected at about two percent annually and inflation growth, projected at about two percent annually. For the purposes of projecting FY 2016, average daily membership is expected to grow by 2.41 percent and inflation by .8 percent, yielding a total growth of 3.21 percent.

The Capital PayGo growth is tied to estimated growth of Ad Valorem taxes, and is expected to grow at about 1.22 percent annually.

Note on Schools Tax Rate:

In FY 2015, the Board of County Commissioners bifurcated the Countywide tax rate creating a County Services Tax Rate and a Schools Tax Rate. The Schools Tax Rate funds School Current Expense funding and the School PayGo Capital Program.

It is important to note that based on the current projections, given the parameters of the legislation, the current funding structure is

not sustainable given the current Schools Tax Rate. This is the case before the revaluation process which is anticipated to reduce the County's taxable values. To maintain this level of funding for UCPS, tax rate increases, beyond the revenue neutral rate will be necessary in the future.

The projection has made no assumptions concerning possible future bond elections.

Conclusions

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

- The General Fund will continue to see moderated growth in both revenues and expenditures.
 - The largest driver of the growth in the early years is the increases in the VFD and EMS Funding.
 - Beyond funding the VFDs and EMS, the remainder of the General Fund is within the sensitivity variance range, meaning that during the budget process each year, cost can be controlled sufficiently to balance the annual budget.
- 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.
- UCPS Funding will outpace the growth of the Schools Tax and the projection indicates a significant structural imbalance.
 - The structural imbalance is due to the growth in inflation and student population growing faster than the growth in Ad Valorem Taxes.

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

Indicator	Trend	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Revenue Per Capita		\$ 467.38	489.91	470.61	447.95	572.53	429.93	427.69
Property Tax Revenues in Constant \$ in 000s		\$ 60,088	75,715	76,576	75,354	74,844	74,349	75,455
Total Expenses Per Capita		\$ 887.59	809.51	635.72	576.48	552.53	535.20	524.54
Full-Time Equivalents Per 1,000 Population		5.74	5.12	5.06	4.86	4.70	4.78	4.70
Water and Sewer Fund Operating Position in Constant \$ in 000s		\$ 11,581	11,474	12,176	12,470	12,162	12,280	13,300
Benefits as a % of Salaries and Wages		40.83%	43.06%	45.67%	54.92%	61.32%	57.49%	58.52%
Liquidity Ratio		2.59	2.95	2.98	2.64	3.50	3.21	3.28
Long Term Debt as a % of Assessed Value		2.47%	2.12%	1.97%	1.85%	1.73%	1.62%	1.45%
Population		182,360	191,514	196,322	201,292	205,717	210,410	211,539
Population Under 18 and Over 64 as a % of Total Population		41.50%	40.94%	41.04%	40.41%	39.83%	39.33%	39.59%
Public Assistance Recipients Per 1,000 Population		169.07	181.90	192.57	199.57	178.14	184.14	216.21
Top Ten Taxpayers as a % of Assessed Valuation		3.60%	3.38%	3.54%	3.97%	3.48%	3.44%	3.22%
Local Unemployment Rate		5.50%	11.00%	10.10%	9.60%	8.60%	8.00%	6.20%
Gross Retail Sales in 000s		\$ 1,200,307	1,162,891	1,076,852	1,122,433	1,197,951	1,321,781	1,460,830

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

Fiscal Indicators

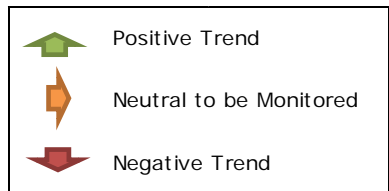
The notion of financial condition, given the recent economic issues, has taken on greater and varied meaning for local governments throughout the country. For the purposes of this report, financial condition refers to the County's ability to finance its services on a continuing basis. The use of fiscal indicators provides a concise indication of:

- The County's ability to maintain existing service levels.
- The County's ability to withstand local and regional economic disruption.
- The County's ability to meet the changing demands of natural growth and demographic shifts.

Evaluating the County's financial condition can be a complex process, with a multitude of factors having



significant impacts. The use of fiscal indicators provides an organized, indicative means to sort through these factors and hone in on representative indicators. These indicators provide a “snapshot” of financial condition and demographic changes. Each indicator provides meaningful information and areas of additional study.




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 that the trend is moving in a positive direction, orange arrows indicate instability in recent years and the need to continue to monitor the trend, and finally, the red arrows indicate a negative trend.

When items have been adjusted to constant dollars, they have been adjusted to the base year of the Consumer Price Index (CPI)(1982=100). The use of constant dollars provides apples to apples comparison by adjusting for inflation.

Trends and Analysis

As the dashboard on the previous page indicates, of the fourteen indicators eight are trending positive, four are trending neutral or in need of monitoring, and two are trending negative.

 The positive trends are indicating the strong financial health of the County. The Total Expenses Per Capita in constant dollars, Full-Time Equivalent Employees per 1,000 Population, the County’s liquidity, and the Long Term Debt as a % of Assessed Value are all trending in a positive direction.

In addition, the portion of the Population Under 18 and Over 64 as a % of Total Population, Top Ten Taxpayers as a % of Assessed Valuation, the Local Unemployment Rate, and Gross Retail Sales in 000s, are positive indicators of the local demographic and economic improvements.

Property Tax Revenues in Constant \$ in 000s, the Enterprise Operating Position, Benefits as a % of



Salaries and Wages are trends within the organization that require additional monitoring and while not negative, could easily grow to the point of concern.

Population will generally, consistently be a trend that requires vigilance in monitoring. Growth in population is not positive or negative, it however is transformative as it relates to the community and the changes in service demand. As will be discussed in the Demand for Services Index (DSI), later in this document, the changing population necessarily changes the demands for services and the resource requirements.

The Final Grouping is the two indicators that are negative. In the previous year, Operating Revenue Per Capita was a trend to monitor, however in the FY 2016 analysis, based on FY 2014 Actual, the Operating Revenue Per Capita is a negative trend, seeing two years of decline. This could indicate a continued rise in population combined with stagnating revenues.



The second negative indicator is the continued growth of Public Assistance Recipients per 1,000 Population. This growth indicates a continued dependence of a portion of the population on the social services. As demand for service grows, the cost of the program will continue to grow.

Conclusions

The usefulness of the fiscal indicators can be the year-over-year comparison and the ability to analyze the indicators in light of changing economic times and the changing community. Before a more detailed discussion of the various indicators, several general conclusions can be drawn from the indicators as a group:

- Revenue will continue to be an area of required monitoring. While the national economic picture continues to improve, the local economic recovery may be slightly weaker and more sensitive to market changes. Because of this the Board of County Commissioners’ priority of Fiscal Sustainability and Economic development will continue to be an appropriate area of emphasis.
- Expenditures have been managed in the organization. Although a revenue has been erratic at



times, the expenditure related indicators are indicative of continually improved organizational efficiencies or in some cases the onset of service level stressors (as discussed in the Demand for Services Index discussion of FTE). Even though there is a lack of qualitative analysis, it appears the County has continued, through the economic downturn, to maintain services.

- The cost of providing employee benefits continues to be an area of concern. The growing cost of employee benefits, particularly as a % of Salaries and Wages, is reflective of a national trend and should regularly monitored.

Based on the Fiscal Indicators, the fiscal health of the County continues to remain strong. The majority of the indicators continue to show positive trends, meaning that during the latest recession the County was able to continue to provide quality services while minimizing the financial impact. Despite the trends to the positive, the County's fiscal health should continue to be vigilantly monitored.









With these factors and indicators in mind, the financial policy decisions made in the next several years will drive the long-term financial condition of the County.

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Economic and Debt Indicators

Indicator	Trend	2008	2009	2010	2011	2012	2013	2014
Consumer Price Index - South (CY)		208.68	207.84	211.34	218.62	223.24	226.72	230.83
Case Shiller Index - Charlotte (CY)		130.38	119.65	115.55	111.40	113.28	121.85	126.43
Consumer Sentiment Index - South Region (CY)		67.05	66.27	70.58	67.14	75.25	76.64	79.76
Quick Ratio (CY)		94.16%	142.42%	146.33%	145.66%	252.65%	216.84%	226.11%
Leverage Ratio (FY)		231.91%	263.66%	265.03%	259.71%	181.72%	189.64%	165.64%
Debt Ratio (FY)		3.41%	2.60%	2.41%	2.27%	2.13%	2.00%	1.79%
Debt Service Burden (FY)		20.00%	22.52%	23.51%	22.77%	22.51%	22.21%	19.47%
Debt Per Capita (FY)		3,282.04	3,025.62	2,817.13	2,610.45	2,421.36	2,247.34	2,085.48

Economic and Debt Indicators

As mentioned earlier in the report, new this year is the Economic and Debt Indicator (EDI) section. The EDI represents a group of indicators that look at the County specifically, but also the regional economy. This regional focus recognizes the impact of the region on the County, while the specific debt indicators further drill down on the impact of debt on the County.

Additionally, these indicators are used by ratings 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 issues in the region.

	Positive Trend
	Neutral to be Monitored
	Negative Trend

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.

Trend and Analysis

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 increasing; hence 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 an indicator by indicator analysis 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.

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Demand for Service Index

Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Library Visits - Physical and Virtual Per Capita	53.01	51.61	59.74	85.44	61.00	59.59	55.17
Index	100.00	97.35	112.69	161.16	115.07	112.40	104.07
Average Daily Membership Per 10,000 Population	2,034.99	2,013.12	2,005.18	1,982.20	1,927.60	1,912.84	1,939.12
Index	100.00	98.93	98.54	97.41	94.72	94.00	95.29
Social Services Client Visits Per 1,000 Population	243.73	276.50	280.67	281.19	281.87	272.57	235.05
Index	100.00	113.45	115.16	115.37	115.65	111.83	96.44
Health Department Client Visits Per 1,000 Population	159.17	165.76	187.74	128.70	116.03	112.40	98.92
Index	100.00	104.14	117.95	80.86	72.90	70.62	62.15
Water and Sewer Accounts Per Capita	0.3650	0.3540	0.3507	0.3476	0.3482	0.3515	0.3625
Index	100.00	96.99	96.08	95.25	95.41	96.30	99.32
Billed Daily Water Consumption in 000s Gal/Per Capita	0.0543	0.0455	0.0487	0.0502	0.0474	0.0451	0.0466
Index	100.00	83.84	89.63	92.34	87.26	83.12	85.83
EMS Calls Per 1,000 Population	85.16	81.38	84.18	86.64	88.25	89.39	89.61
Index	100.00	95.57	98.86	101.74	103.64	104.97	105.23
EMS Transports Per 1,000 Population	59.12	56.97	59.02	60.63	61.23	61.31	59.28
Index	100.00	96.36	99.81	102.55	103.57	103.69	100.26
Building Permits per 10,000 Population	170.54	111.43	103.76	86.79	100.19	125.47	174.20
Index	100.00	65.34	60.84	50.89	58.75	73.57	102.14
Sheriff Calls for Service per 1,000 Population	363.80	496.95	541.10	551.63	543.78	443.83	636.03
Index	100.00	136.60	148.73	151.63	149.47	122.00	174.83
Population in 000s	182.36	191.51	196.32	201.29	205.72	210.41	211.54
Index	100.00	105.02	107.66	110.38	112.81	115.38	116.00
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Index	100.00	102.78	104.95	103.36	101.01	98.09	104.39

Demand For Services Index

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 indicators that can serve as a general indicator, when taken together to provide an aggregated indicator



of total service demand. This aggregated indicator, 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.

Index Construction

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 adjusted 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.

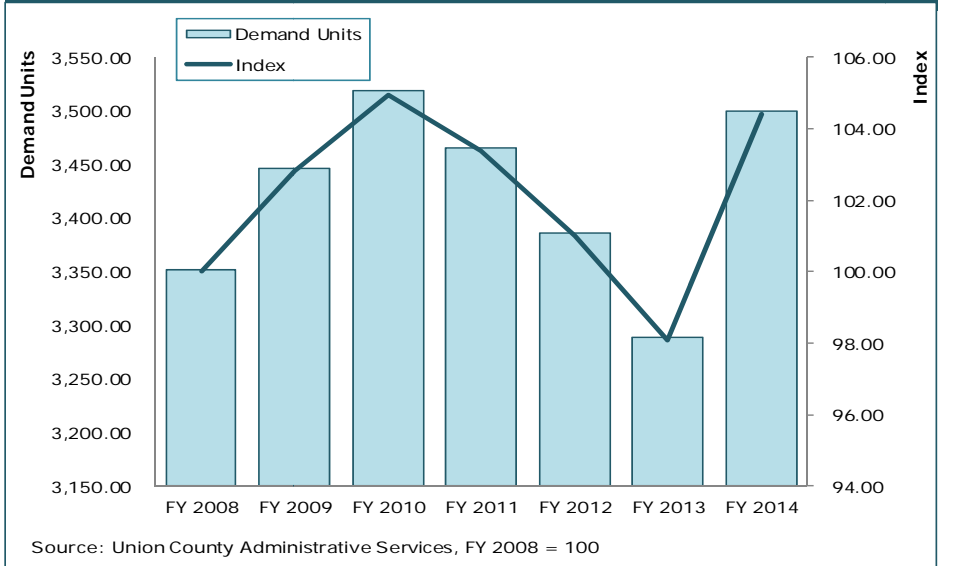
The additional indicator, population, provides a general indicator of population growth, while the first ten indicators are service driven, the population indicator acknowledges the general demand on resources that population increases bring.

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. As the index changes, to say 102.14, there has been a growth of 2.14 percent in demand for that particular service.

Trends and Analysis

As the table on the previous page indicates, overall demand has grown by 4.39 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 clearly 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.

Demand for Service Index



By FY 2013, the DSI saw its lowest point at 98.09. 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



Full-Time Equivalent Index

Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
FTE	1,046.90	981.10	922.70	979.20	967.00	1,006.10	993.36
FTE Index	100.00	93.71	88.14	93.53	92.37	96.10	94.89
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Demand Units Per FTE	3.20	3.51	3.81	3.54	3.50	3.27	3.52
Demand Units Per FTE Index	100.00	109.68	119.07	110.51	109.35	102.07	110.01

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.

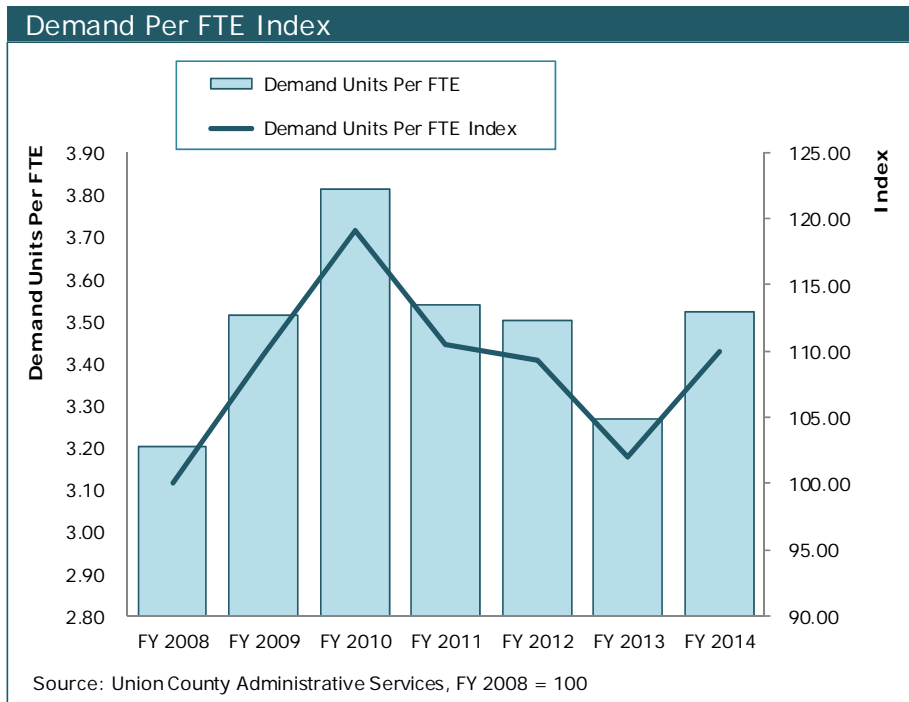
As the table indicates, since FY 2008, the County has experienced slightly more than a five percent reduction in FTE, with an index of 94.89. Keeping in mind during this same period, there was an increase of 4.39 percent in the demand for services.

Considering this growth in demand, with the decline in FTE, the Demand Per FTE Index indicates that there is a 10.01 increase in the demand per FTE.

As with the demand index, the height of demand can be seen in the FY 2010, when there was the greatest demand on County Services, with the lowest FTE index, of 88.14 coming in FY 2010 also. 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 observations 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 110.01 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 goes beyond the capacity to deliver, the organization is placed in a higher level of risk.



Demand for Services Index Conclusions

When considering the DSI it is important to consider that the index is only indicative of the current trends and should be considered as a whole. The index provides a snap shot of the trends in demand.

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

- During the index period, the demand has grown to 104.39, however, considering that in FY 2009, the index was 104.95, there has been limited growth in overall demand.
- Although, the population has increased during the index period by sixteen percent, the demand on services has increased by less than five percent.
- The largest area of growth was in the demand for Sheriff's Calls for Services, seeing a seventy-five percent increase since FY 2008.
- 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 2014 was 94.89, 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 110.01 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.

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General Findings

For the purposes of this report, the findings 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:

- The Financial Projections provide some positive indications. Based on the initial analysis, the largest drivers of cost in the General Fund for the next few years will be the growing commitments to the Volunteer Fire Departments, the growing cost of the Emergency Medical Services, and the changes to the Sheriff’s Office Deputy pay plan. Based on the historical analysis and expected variances, these items do not generate a long-term structural imbalance.
- UCPS Funding will outpace the growth of the Schools Tax and the projection indicates significant structural imbalances. This imbalance is due to the anticipated growth of the Current Expense Fund, growing at inflation plus ADM growth, outpacing the anticipated growth in the Ad Valorem Tax base.
- 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 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.

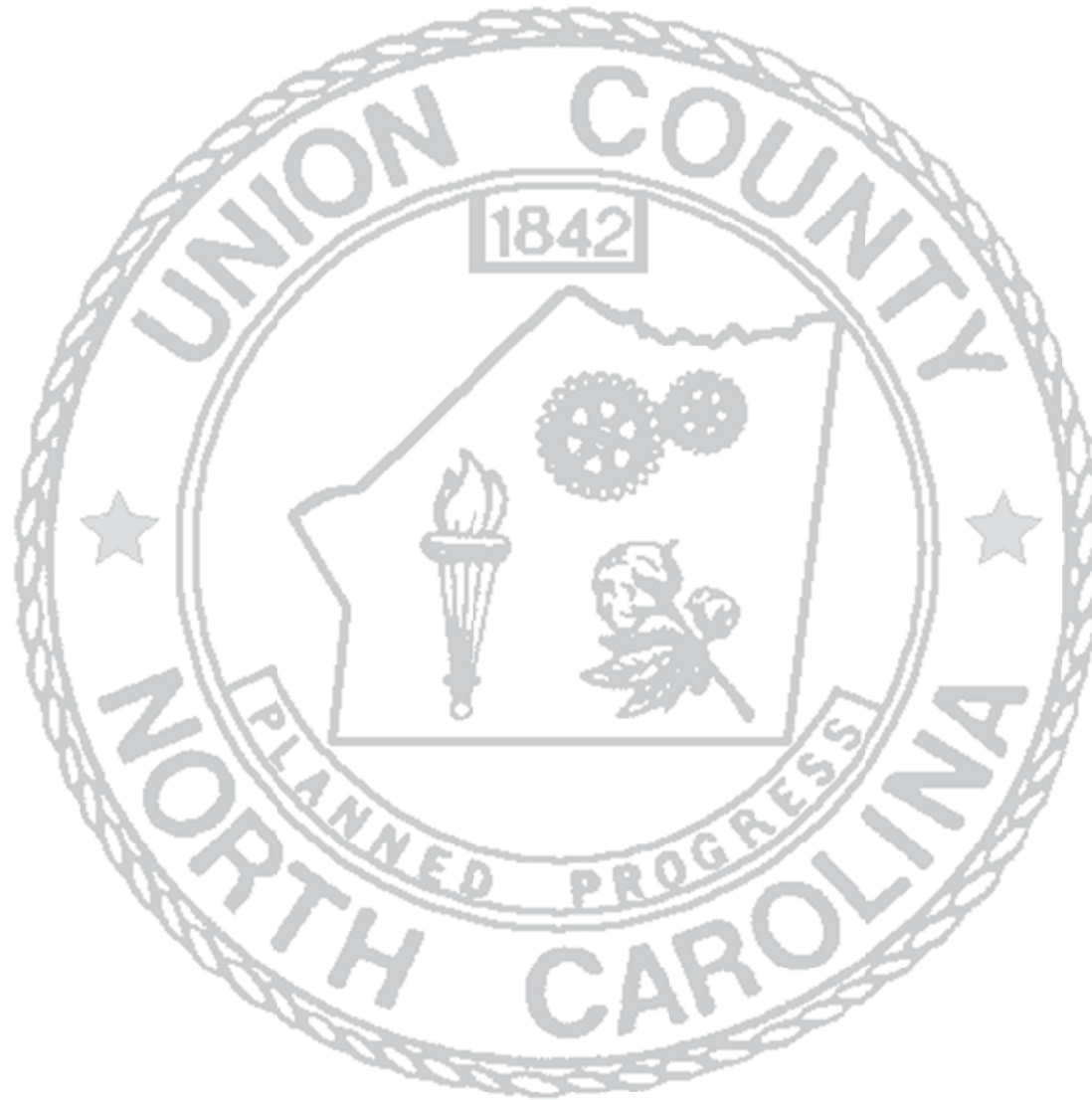
Recommended Budget Focus Areas

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

- Revaluation and Revenue Neutral Tax Rates – Given the level of impact the Ad Valorem Taxes have on the General Fund and the Schools Budgetary Fund a thorough discussion and policy direction concerning the setting of the FY 2016 tax rates in light of the revaluation is necessary.
- Sustainable Funding for Volunteer Fire Departments – With the impact of the Volunteer Fire Departments on the General Fund it is necessary to develop a long-term funding solution that assures adequate fire coverage throughout the County while maintaining the current character of the Volunteer Fire Department system.
- Bond Elections and Economic Development Tools – With the legislative limitation of the years for bond elections, only in even numbered years, 2016 is the next opportunity to have a bond election. The possibility of a bond election and what specific County and UCPS projects would be included should be discussed to allow time for the process to occur. In addition, any other countywide referendum necessary for economic development, should also be given appropriate 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.





General Fund Financial Projection

	Actual FY 2014	Revised FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Sources								
Ad Valorem Taxes	\$ (165,029,950)	(76,391,825)	(76,655,728)	(77,575,878)	(78,508,177)	(79,452,810)	(80,409,964)	(81,379,831)
Local Option Sales Taxes	(29,449,465)	(30,093,981)	(30,996,800)	(31,926,704)	(32,884,506)	(33,871,041)	(34,887,172)	(35,933,787)
Other Taxes	(2,410,251)	(2,383,000)	(2,499,830)	(2,540,078)	(2,581,175)	(2,623,143)	(2,666,003)	(2,709,778)
Unrestricted Intergovernmental Revenue	(75,773)	(82,500)	(82,500)	(83,940)	(85,409)	(86,907)	(88,435)	(89,994)
Restricted Intergovernmental Revenue	(10,195,143)	(10,931,560)	(10,981,716)	(11,128,129)	(11,276,928)	(11,428,159)	(11,581,870)	(11,738,111)
Federal Grants	(14,965,362)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)
State Grants	(4,194,339)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)
Non-Enterprise Charges for Services	(9,428,436)	(9,537,161)	(9,749,666)	(9,944,659)	(10,143,552)	(10,346,423)	(10,553,352)	(10,764,419)
Debt Proceeds	(5)	-	-	-	-	-	-	-
Investment Income	(391,543)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Other Revenue	(7,075,905)	(6,901,931)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)
Interfund Transfers	(1,576)	-	-	-	-	-	-	-
Total Sources	\$ (243,217,748)	(157,894,938)	(159,173,360)	(161,406,508)	(163,686,866)	(166,015,602)	(168,393,916)	(170,823,039)
Uses								
Employee Compensation	\$ 36,290,619	39,065,402	40,825,925	42,571,946	43,846,938	45,160,179	46,512,818	47,906,036
Employee Benefits	20,176,147	22,434,260	24,286,947	25,833,118	27,350,729	28,978,166	30,723,234	32,594,403
Operating Costs	31,944,327	33,464,501	34,617,878	35,446,995	36,310,671	36,941,030	37,586,990	38,248,976
Capital Outlay	1,847,328	1,624,544	1,682,022	1,703,663	1,725,736	1,748,251	1,771,216	1,794,640
Contracts, Grants, and Subsidies	6,082,858	5,886,292	6,004,018	6,124,098	6,246,580	6,371,512	6,498,942	6,628,921
UCPS Current Expense Funding	82,260,408	-	-	-	-	-	-	-
Volunteer Fire Department Funding	546,868	1,535,396	2,035,396	2,535,396	2,662,166	2,795,274	2,935,038	3,081,790
EMS Contract	4,332,073	5,279,955	7,829,955	7,790,778	7,907,780	8,089,736	8,315,730	8,548,561
General Fund Related Debt Debt Service	2,103,957	3,472,402	3,403,180	3,324,247	3,252,402	4,240,233	2,948,092	2,077,476
UCPS Related Debt Service	43,283,124	44,922,925	43,666,549	43,444,618	42,162,664	39,813,153	37,017,169	32,986,697
Interdepartmental Charges	(6,034,481)	(1,602,626)	(1,634,679)	(1,667,372)	(1,700,720)	(1,734,734)	(1,769,429)	(1,804,817)
Interfund Transfers	17,943,931	11,934,600	2,410,667	1,746,381	1,242,783	459,908	477,788	496,460
Contingency	-	1,081,358	500,000	525,000	551,250	578,813	607,753	638,141
Total Uses	\$ 240,777,159	169,099,009	165,127,859	168,853,868	171,007,730	172,862,708	173,017,589	172,559,142
Sources (Over)/Under Uses	\$ (2,440,589)	11,204,071	5,954,499	7,447,360	7,320,864	6,847,106	4,623,673	1,736,103
General Fund Reserve Over/(Under) Policy	\$ -	-	(6,020,270)	(14,979,536)	(23,527,266)	(31,572,011)	(37,085,060)	(39,620,884)
Over/(Under) %			3.61%	4.41%	4.28%	3.96%	2.67%	1.01%
Variance to Sensitivity % goal is +/- 3%			0.61%	1.41%	1.28%	0.96%	-0.33%	-1.99%

General Fund Financial Projections

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.

The General Fund Financial Projection is based on an analysis of historical trends, current trends and realities, and known cost drivers.

The "Revised FY 2015" reflects the amended budget through December 31, 2014.

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, 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.
- 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.
- 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 prescribed revaluation rules. For the purposes of the projection, the FY 2016 projected revenue from real property is projected based on the FY 2015 amount of revenue. The FY 2016 projected revenue for motor vehicle taxes are projected with a limited growth of five percent from the FY 2016 revenue estimate. As the revaluation process is currently underway, additional information will be available during the development of the budget. Holding the revenue flat at this point makes only minimal assumptions concerning tax rates and impacts.
- 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 second and third year of the 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.
- 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.

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General Fund Trends and Analysis

During the projection period, from FY 2016 through FY 2021, the current projection reflects an annual operating deficit each year. As the table below indicates, during the projection period, the average annual deficit is \$5.3 million.

General Fund Revenue and Expenditures				
	Revenue	Expenditures	Revenue Over/Under Expenditures	Variance Sensitivity +/- 3%
FY 2014	\$ 243,217,748	240,777,159	2,440,589	
FY 2015	157,894,938	169,099,009	(11,204,071)	
FY 2016	159,173,360	165,127,859	(5,954,499)	3.61%
FY 2017	161,406,508	168,853,868	(7,447,360)	4.41%
FY 2018	163,686,866	171,007,730	(7,320,864)	4.28%
FY 2019	166,015,602	172,862,708	(6,847,106)	3.96%
FY 2020	168,393,916	173,017,589	(4,623,673)	2.67%
FY 2021	170,823,039	172,559,142	(1,736,103)	1.01%

While traditionally, the driver of the deficit was the transfer to capital program, this is no longer the case. The largest driver of the deficits, primarily in the earlier years of the projection, is the growing cost of funding the Volunteer Fire Departments (VFD) and the funding of the Emergency Medical Services (EMS).

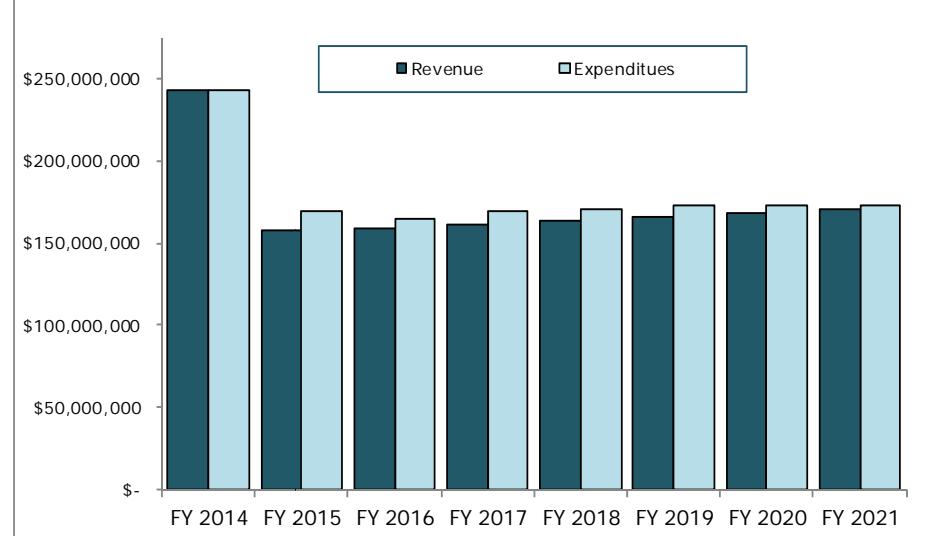
Key Drivers				
	EMS Funding	VFD Funding	Total	Annual Growth
FY 2014	\$ 4,332,073	546,868	4,878,941	
FY 2015	5,279,955	1,535,396	6,815,351	1,936,410
FY 2016	7,829,955	2,035,396	9,865,351	3,050,000
FY 2017	7,790,778	2,535,396	10,326,174	460,823
FY 2018	7,907,780	2,662,166	10,569,946	243,772
FY 2019	8,089,736	2,795,274	10,885,010	315,064
FY 2020	8,315,730	2,935,038	11,250,768	365,757
FY 2021	8,548,561	3,081,790	11,630,350	379,583

Note on UCPS Funding:

Funding for the Union County Public Schools is no longer accounted for as part of the General Fund. The only costs related to UCPS in the General Fund is the ongoing debt service related to UCPS Facilities, the School Resource Officer Program, and the cost of maintaining the Central Administration Facility.

Excluding the EMS and VFD funding, the remainder of the General Fund remains relatively flat. This is largely due to the reduction each year in debt service and the benefits of a declining debt service structure.

General Fund Revenue and Expenditures



Note: From FY 2014 to FY 2015, UCPS Current Expense Funding and Capital Funding were moved to the Schools Budgetary Fund.

During the projection period revenues are projected to grow an average of about 1.3 percent annually, while expenditures are anticipated to grow by just .4 percent. While revenue growth during the projection does out pace expenditure growth, the initial years in the projection indicate an initial structural imbalance. It is this initial imbalance that continues the deficit through the projection window and is eventually reduced by the end of the FY 2021 projection period.

New to the projection this year, although discussed at length during the budget process in FY 2015, is the indicator of "Variance Sensitivity". The variance sensitivity is an indicator of the historical variance to estimated revenues and expenditures. The process of projecting revenues and expenditures yields 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.



With this variance sensitivity in mind, 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.

The Adopted FY 2014-15 Operating and Capital Budget Ordinance sets out that the General Fund Reserve is twenty percent of the General Fund and Schools Budgetary Fund Expenditures. Applying this calculation, including the other budgetary actions taken by the Board of County Commissioners, there is about \$1.3 million of Unassigned Fund Balance available for appropriation.

General Fund Fund Balance as of 12/31/14

General Fund Balance as of June 30, 2014	\$	80,147,839
Less: Non-Spendable Fund Balance		(204,937)
Less: Restricted Fund Balance		(14,979,838)
Less: Committed Fund Balance		(31,916,595)
Less: Assigned Fund Balance		(31,743,278)
Total Unassigned Fund Balance Available for Appropriation		\$ 1,303,191

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 less than one percent of the total General Fund expenditures. The positive unassigned fund balance of \$1.3 million means that the Board of County Commissioners' reserve policy levels have been met and exceeded by just \$1.3 million.

Tax Revenue Trends and Analysis

Tax revenue comprises about 69 percent of General Fund Revenues. The largest portion of the tax revenue comes through Ad Valorem Taxes at 70 percent of tax revenue.

The timing of the revaluation process, locking in property values in FY 2008, allowed Union County to mitigate to a large degree the negative impacts of the economic recession.

FY 2016 will be impacted by the revaluation process. Essentially in a revaluation year, the taxable value of real property is revalued in an effort to accurately reflect the property's taxable value.

Typically, this revaluation process serves to adjust the values for growth and adjust the tax rates to reflect that value growth.

FY 2016's revaluation process will work in converse of the normal process. It is anticipated that the total taxable value will decline.

	Tax Revenues			Total
	Ad Valorem Taxes	Local Option Sales Tax	Other Taxes	
FY 2014	\$ 165,029,950	29,449,465	2,383,000	196,862,415
FY 2015	76,391,825	30,093,981	2,499,830	108,985,636
FY 2016	76,655,728	30,996,800	2,540,078	110,192,607
FY 2017	77,575,878	31,926,704	2,581,175	112,083,757
FY 2018	78,508,177	32,884,506	2,623,143	114,015,825
FY 2019	79,452,810	33,871,041	2,666,003	115,989,853
FY 2020	80,409,964	34,887,172	2,709,778	118,006,914
FY 2021	81,379,831	35,933,787	2,754,492	120,068,110

For the purposes of the projection, the FY 2016 Ad Valorem Revenue from real property is projected to be equal to FY 2015. Following that initial year, the revenue is projected to continue to grow by about 1.10 percent annually.

The growth from FY 2015 to FY 2016, in Ad Valorem Taxes is due to an estimated growth of five percent in the Motor Vehicle Taxes. This growth is in part due to improved collections and the continued improvement in the economy.

Local option sales taxes primarily fund the debt related to UCPS facilities. 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 six percent.

This growth is positive given the sensitivity of sales tax to economic conditions. Because the economy is growing, sales taxes are projected to continue to grow by three percent during the projection period.

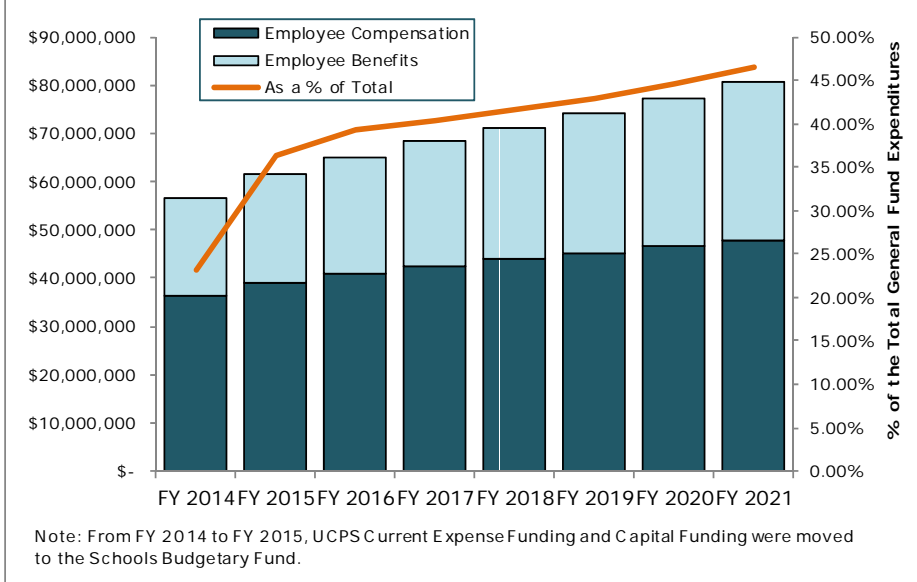
Although this trend is looking up, this is an area that should be monitored. Sales taxes are highly sensitive to changes in personal income, increases in the state and federal income taxes or the lingering effects of the consumers' cost of the Affordable Care Act. Because of this sensitivity sales taxes could be negatively impacted.



Employee Costs Trends and Analysis

Employee costs, in FY 2015, are budgeted to be about 36.4 percent of the total General Fund. This percentage increases through the projection window. Employee costs are anticipated to grow by about 4.6 percent annually, outpacing total General Fund expenditures.

Employee Costs



The driver of this increase is two-fold. With the implementation of the Sheriff's Deputy Pay Plan increases and the ongoing estimated increases in employee compensation, it is anticipated that during the projection window, employee compensation will increase by an average of 3.5 percent. This level of sustained growth represents an average growth of about \$1.5 million annually through the projection window.

In addition, given the rising cost of health benefits and other legacy costs, it is anticipated that the cost of employee benefits will grow by 6.4 percent. This level of sustained growth represents an average growth of about \$1.7 million annually through the projection window.

As the political and policy landscape changes, it can be anticipated that there will be significant changes, specifically with the

implementation and possible modification of the Affordable Care Act. The projection includes a sustained eight percent inflation for healthcare costs, however staff is working diligently to mitigate these increases and reduce the impact to the County.

To begin to mitigate the healthcare cost increases, staff is working on various wellness initiatives and service delivery modifications. These initiatives have not been factored into the projection, but it is anticipated that they will have meaningful cost reduction or mitigation. Once this trend is measurable, it will be factored into the projection.

As a benchmark, nationally, employee costs consume more than fifty percent of general operating funds in county and municipal governments. The growth in these costs reflects the national trends and is anticipated to continue to grow as a percentage of total expenditures.

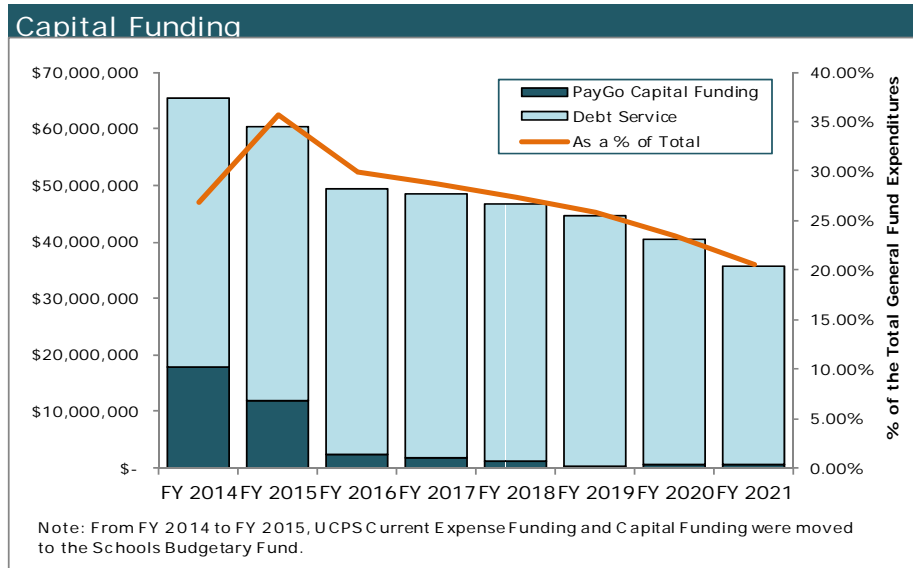
Capital Funding Trends

The County funds capital through the use of fund balance and current revenues, often referred to as PayGo funding and the use of debt. 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.

	Capital Funding			As a % of Total
	PayGo Capital Funding	Debt Service	Total Capital Effort	
FY 2014	\$ 17,943,931	47,348,878	65,292,809	26.90%
FY 2015	11,934,600	48,400,730	60,335,330	35.68%
FY 2016	2,410,667	47,069,729	49,480,396	29.96%
FY 2017	1,746,381	46,768,865	48,515,246	28.73%
FY 2018	1,242,783	45,415,066	46,657,850	27.28%
FY 2019	459,908	44,053,386	44,513,294	25.75%
FY 2020	477,788	39,965,262	40,443,050	23.38%
FY 2021	496,460	35,064,173	35,560,633	20.61%



During the economic recession the County largely reduced its capital program and ongoing PayGo funding. In addition, the funding for UCPS Capital is now shown in the Schools Budgetary fund.



As the table indicates, capital funding in the General Fund, largely driven by declining debt service, reaches a low of twenty-one 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.

In FY 2016, the largest capital cost is the final portion of funding, \$2 million, for the Firearms Training and Qualifications Range. Beyond that, the capital program includes regular funding for County Facilities Repair and Community Services Facilities Repair. In FY 2017 there is funding for the Storage Area Network Replacement and the Renovation of the Sheriff's Office. Also included in FY 2018 is funding for partial renovations to Cane Creek Park.

The most significant project, not reflected in this analysis is the Human Services Facility. This building, with an estimated price of \$42 million is fully funded through PayGo, primarily from the one-time payment of hospital lease funds.

Debt Trend and Analysis

Union County has largely used debt to provide for the recent rapid growth in population by funding schools, community college facilities, court facilities, and 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 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			
	UCPS Related Debt	General County Debt	Total Debt Service	As a % of Total
FY 2014	\$ 43,283,124	2,103,957	45,387,081	18.85%
FY 2015	44,922,925	3,472,402	48,395,327	28.62%
FY 2016	43,666,549	3,403,180	47,069,729	28.51%
FY 2017	43,444,618	3,324,247	46,768,865	27.70%
FY 2018	42,162,664	3,252,402	45,415,066	26.56%
FY 2019	39,813,153	4,240,233	44,053,386	25.48%
FY 2020	37,017,169	2,948,092	39,965,262	23.10%
FY 2021	32,986,697	2,077,476	35,064,173	20.32%

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 2020, it is projected that the County's debt service will decline by 37.68 percent from FY 2015, and by 62.5 percent within the next ten years. Existing debt will be paid off by FY 2033.



UCPS Funding

During the 2014 General Assembly Session Law 2014-9 became law, establishing the FY 2015 and FY 2016 funding parameters for UCPS. Based on those funding parameters, staff has provided an initial projection of UCPS Current Expense Funding and Capital Funding for FY 2017 and beyond.

UCPS Funding			
	Current Expense	Capital PayGo	Total
FY 2015	\$ 87,097,884	19,531,582	106,629,466
FY 2016	89,890,367	19,786,024	109,676,391
FY 2017	93,485,982	20,023,931	113,509,913
FY 2018	97,225,421	20,264,961	117,490,382
FY 2019	101,114,438	20,509,162	121,623,600
FY 2020	105,159,015	20,756,581	125,915,596
FY 2021	109,365,376	21,007,267	130,372,643

As the table indicates, during the projection window, applying the legislation into the future, the Current Expense funding will grow on average 3.87 percent annually. The Current Expense funding is tied to the growth in average daily membership, currently projected at about two percent annually and inflation growth, projected at about two percent annually. For the purposes of projecting FY 2016, average daily membership is expected to grow by 2.41 percent and inflation by .8 percent, yielding a total growth of 3.21 percent.

The Capital PayGo growth is tied to estimated growth of Ad Valorem taxes, and is expected to grow at about 1.22 percent annually.

Note on Schools Tax Rate:

In FY 2015, the Board of County Commissioners bifurcated the Countywide tax rate creating a County Services Tax Rate and a Schools Tax Rate. The Schools Tax Rate funds School Current Expense funding and the School PayGo Capital Program.

It is important to note that based on the current projections, given the parameters of the legislation, the current funding structure is

not sustainable given the current Schools Tax Rate. This is the case before the revaluation process which is anticipated to reduce the County's taxable values. To maintain this level of funding for UCPS, tax rate increases, beyond the revenue neutral rate will be necessary in the future.

The projection has made no assumptions concerning possible future bond elections.

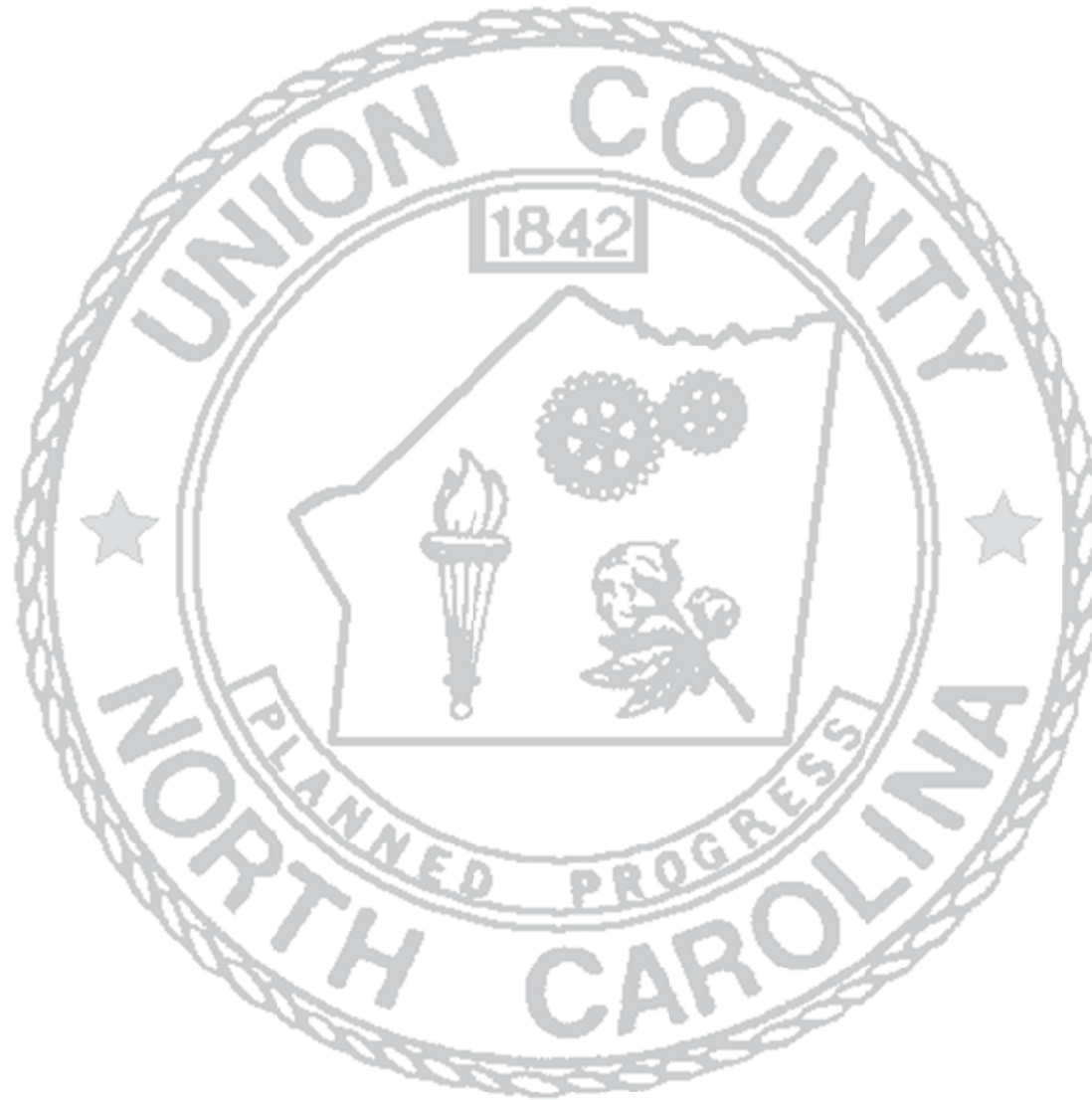
Conclusions

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

- The General Fund will continue to see moderated growth in both revenues and expenditures.
 - The largest driver of the growth in the early years is the increases in the VFD and EMS Funding.
 - Beyond funding the VFDs and EMS, the remainder of the General Fund is within the sensitivity variance range, meaning that during the budget process each year, cost can be controlled sufficiently to balance the annual budget.
- 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.
- UCPS Funding will outpace the growth of the Schools Tax and the projection indicates a significant structural imbalance.
 - The structural imbalance is due to the growth in inflation and student population growing faster than the growth in Ad Valorem Taxes.

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

Indicator	Trend	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Revenue Per Capita		\$ 467.38	489.91	470.61	447.95	572.53	429.93	427.69
Property Tax Revenues in Constant \$ in 000s		\$ 60,088	75,715	76,576	75,354	74,844	74,349	75,455
Total Expenses Per Capita		\$ 887.59	809.51	635.72	576.48	552.53	535.20	524.54
Full-Time Equivalents Per 1,000 Population		5.74	5.12	5.06	4.86	4.70	4.78	4.70
Water and Sewer Fund Operating Position in Constant \$ in 000s		\$ 11,581	11,474	12,176	12,470	12,162	12,280	13,300
Benefits as a % of Salaries and Wages		40.83%	43.06%	45.67%	54.92%	61.32%	57.49%	58.52%
Liquidity Ratio		2.59	2.95	2.98	2.64	3.50	3.21	3.28
Long Term Debt as a % of Assessed Value		2.47%	2.12%	1.97%	1.85%	1.73%	1.62%	1.45%
Population		182,360	191,514	196,322	201,292	205,717	210,410	211,539
Population Under 18 and Over 64 as a % of Total Population		41.50%	40.94%	41.04%	40.41%	39.83%	39.33%	39.59%
Public Assistance Recipients Per 1,000 Population		169.07	181.90	192.57	199.57	178.14	184.14	216.21
Top Ten Taxpayers as a % of Assessed Valuation		3.60%	3.38%	3.54%	3.97%	3.48%	3.44%	3.22%
Local Unemployment Rate		5.50%	11.00%	10.10%	9.60%	8.60%	8.00%	6.20%
Gross Retail Sales in 000s		\$ 1,200,307	1,162,891	1,076,852	1,122,433	1,197,951	1,321,781	1,460,830

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

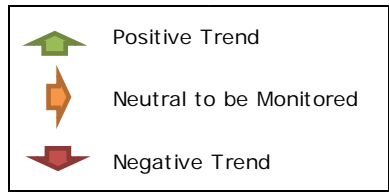
Fiscal Indicators

The notion of financial condition, given the recent economic issues, has taken on greater and varied meaning for local governments throughout the country. For the purposes of this report, financial condition refers to the County's ability to finance its services on a continuing basis. The use of fiscal indicators provides a concise indication of:

- The County's ability to maintain existing service levels.
- The County's ability to withstand local and regional economic disruption.
- The County's ability to meet the changing demands of natural growth and demographic shifts.



Evaluating the County's financial condition can be a complex process, with a multitude of factors having significant impacts. The use of fiscal indicators provides an organized, indicative means to sort through these factors and hone in on representative indicators. These indicators provide a "snapshot" of financial condition and demographic changes. Each indicator provides meaningful information and areas of additional study.



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 that the trend is moving in a positive

direction, orange arrows indicate instability in recent years and the need to continue to monitor the trend, and finally, the red arrows indicate a negative trend.

When items have been adjusted to constant dollars, they have been adjusted to the base year of the Consumer Price Index (CPI)(1982=100). The use of constant dollars provides apples to apples comparison by adjusting for inflation.

Trends and Analysis

As the dashboard on the previous page indicates, of the fourteen indicators eight are trending positive, four are trending neutral or in need of monitoring, and two are trending negative.



The positive trends are indicating the strong financial health of the County. The Total Expenses Per Capita in constant dollars, Full-Time Equivalent Employees per 1,000 Population, the County's liquidity, and the Long Term Debt as a % of Assessed Value are all trending in a positive direction.

In addition, the portion of the Population Under 18 and Over 64 as a % of Total Population, Top Ten Taxpayers as a % of Assessed Valuation, the Local Unemployment Rate, and Gross Retail Sales in 000s, are positive indicators of the local demographic and economic improvements.

Property Tax Revenues in Constant \$ in 000s, the Enterprise Operating Position, Benefits as a % of Salaries and Wages are trends within the organization that require additional monitoring and while not negative, could easily grow to the point of concern.



Population will generally, consistently be a trend that requires vigilance in monitoring. Growth in population is not positive or negative, it however is transformative as it relates to the community and the changes in service demand. As will be discussed in the Demand for Services Index (DSI), later in this document, the changing population necessarily changes the demands for services and the resource requirements.



The Final Grouping is the two indicators that are negative. In the previous year, Operating Revenue Per Capita was a trend to monitor, however in the FY 2016 analysis, based on FY 2014 Actual, the Operating Revenue Per Capita is a negative trend, seeing two years of decline. This could indicate a continued rise in population combined with stagnating revenues.

The second negative indicator is the continued growth of Public Assistance Recipients per 1,000 Population. This growth indicates a continued dependence of a portion of the population on the social services. As demand for service grows, the cost of the program will continue to grow.

Conclusions

The usefulness of the fiscal indicators can be the year-over-year comparison and the ability to analyze the indicators in light of changing economic times and the changing community. Before a more detailed discussion of the various indicators, several general conclusions can be drawn from the indicators as a group:

- Revenue will continue to be an area of required monitoring. While the national economic picture continues to improve, the local economic recovery may be slightly weaker and more sensitive to market changes. Because of this the Board of County Commissioners' priority of Fiscal Sustainability and Economic development will continue to be an appropriate area of emphasis.



- Expenditures have been managed in the organization. Although revenue has been erratic at times, the expenditure related indicators are indicative of continually improved organizational efficiencies or in some cases the onset of service level stressors (as discussed in the Demand for Services Index discussion of FTE). Even though there is a lack of qualitative analysis, it appears the County has continued, through the economic downturn, to maintain services.
- The cost of providing employee benefits continues to be an area of concern. The growing cost of employee benefits, particularly as a % of Salaries and Wages, is reflective of a national trend and should regularly monitored.

Based on the Fiscal Indicators, the fiscal health of the County continues to remain strong. The majority of the indicators continue to show positive trends, meaning that during the latest recession the County was able to continue to provide quality services while minimizing the financial impact. Despite the trends to the positive, the County's fiscal health should continue to be vigilantly monitored.

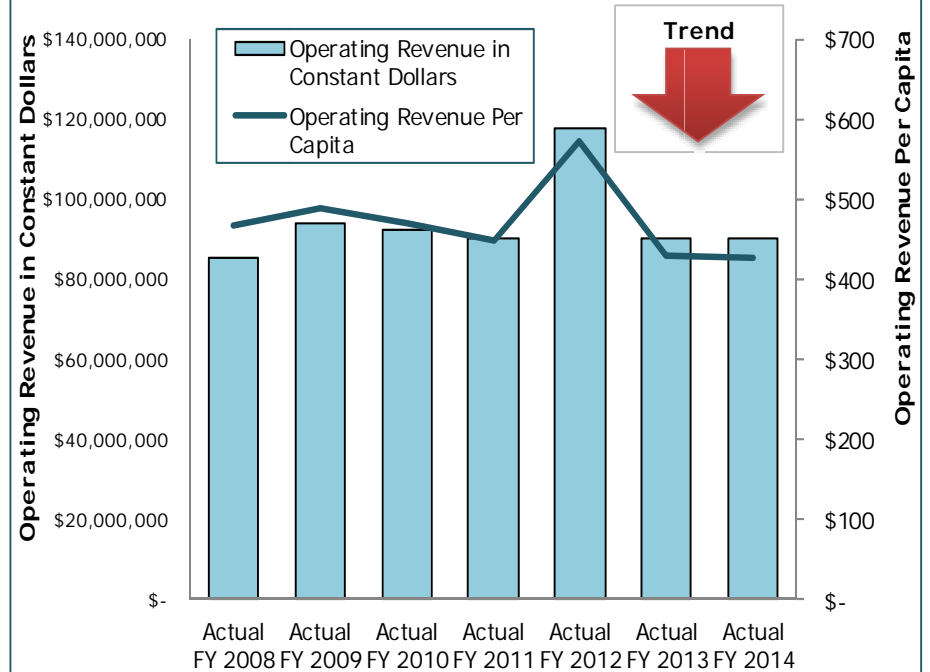
With these factors and indicators in mind, the financial policy decisions made in the next several years will drive the long-term financial condition of the County.

Indicator: Operating Revenue Per Capita

Operating Revenue Per Capita, in constant dollars, provides an indicator of the changes in revenue relative to the changes in population and inflation. Converting net operating revenues to a per capita indicator and adjusting for inflation provides a clear picture of the underlying fiscal trend. As population changes, it can be expected that absolute revenue and service demand will change proportionally.

If the revenue per capita is decreasing, the County may be at risk of being unable to sustain current service levels.

Operating Revenue Per Capita



Source: Union County Comprehensive Annual Financial Reports

Trends and Analysis

As the graph above indicates, Operating Revenue Per Capita, in constant dollars, has seen a slight decline from FY 2013 to FY 2014. The spike of revenue in FY 2012 can be attributed to the one-time \$54 million hospital lease payment. Adjusting for that one-time revenue, FY 2013 revenue declined by \$20.10 per capita from the FY 2012 revenue.

As the graph indicates, the Operating Revenue, when adjusted for inflation, has been stagnating from FY 2013 to FY 2014. This indicates that given inflation, revenue is remaining constant versus growth, and a further analysis would indicate that once adjusted for significant one-time revenues, revenue has failed to keep up with inflation. Because of this the indicator is now shown as negative and provides an area to be monitored.



Indicator: Property Tax Revenue in Constant \$ in 000s

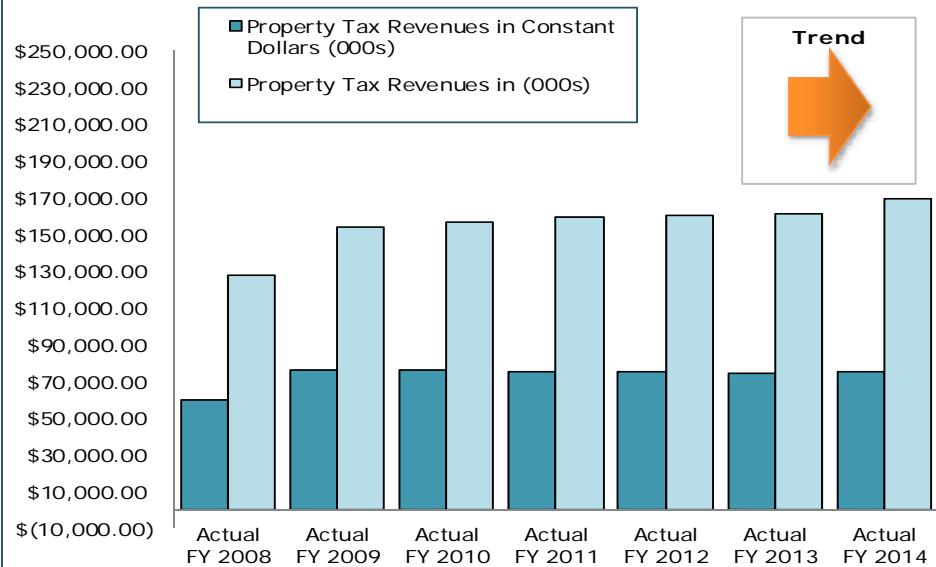
Property Tax Revenue (Ad Valorem Taxes) for FY 2015 represents more than 47 percent of the General Fund revenue. Because of this, the County is particularly sensitive to changes in tax revenue.

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

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 have remained fairly 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.

Property Tax Revenues in 000s



Source: Union County Comprehensive Annual Financial Reports

Trends and Analysis

As the graph indicates, tax revenue in constant dollars has remained fairly level during the last three years, while in unadjusted dollars the revenue has grown. From FY 2011 to FY 2014 adjusted tax revenue saw a total growth of just .13 percent or a total growth of just \$101,119. This growth followed three years of decline from the high point in FY 2010 to the low in FY 2013. The inflation adjusted loss from FY 2010 to FY 2013 was \$2.2 million, although the real growth was \$4.8 million. This indicates that while there was increased revenue, those increases were less than inflation and represented a reduction in actual buying power.

Given the recent behavior of this indicator, the trend is neutral and indicates a continued level of monitoring. Additionally, the data suggests further focus on revenue or tax base diversification within the County is appropriate to ensure continued services.

Indicator: Total Expenses Per Capita

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 do not indicate a service demand, however, being adjusted for population, 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.

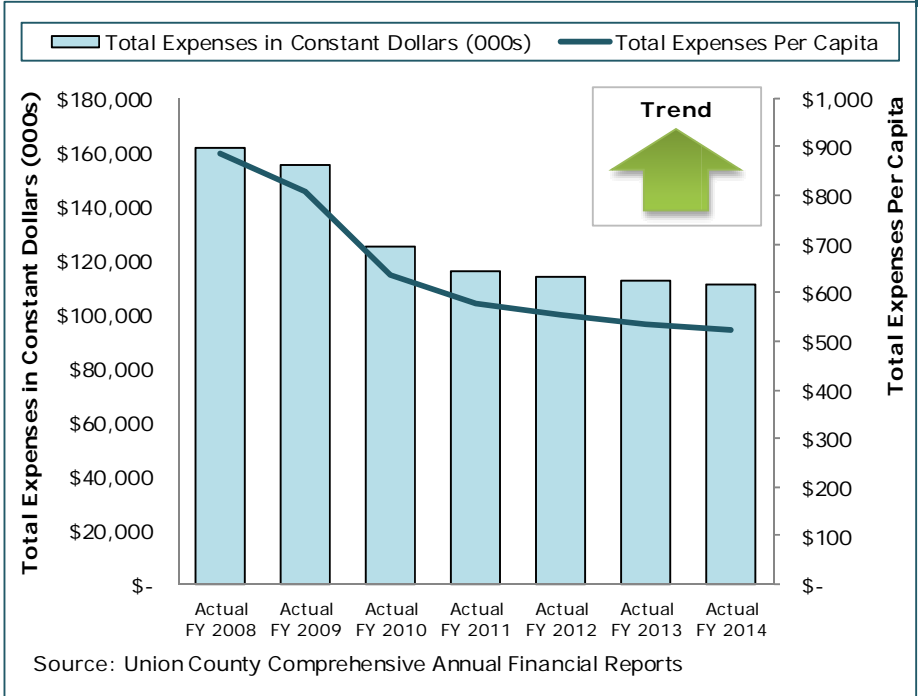


Note About Population Increases and Per Capita:

Government costs are largely generated by the cost of readiness to serve and peak service demand capacity. Because of this, there is a certain level of population increase that can be served by current service capacity. For instance, increasing population by 1,000 people may not increase the need for library space, however, a 25,000 person increase in population may increase the demand for services and the need for library space. The goal of using population adjusted indicators is to evaluate when and if this capacity maximization is reached and when the need for expansion of service capacity is necessary.

Trends and Analysis

Total Expenses Per Capita



Expenditures per capita, in constant dollars, have continued to decrease during the analysis period, from FY 2008 to FY 2014. The per capita expenditures have decreased by slightly more than 40 percent when population and inflation are taken into consideration. This trend is positive and demonstrates that the "real" cost of

government has decreased during this time. Considering this trend, the indicator also suggests that the biggest drivers in the increasing cost of services are population and inflation.

It should also be noted, in this indicator that debt and related debt refundings have been included. Because of this, early years of the analysis indicate a much larger expenditure per capita than the real cost to provide services. In recent years, from FY 2011 to FY 2014, this trend has declined by nine percent, still indicating a decreasing cost of services.

Indicator: Full-Time Equivalents Per 1,000 Population

Employee costs represent about 36.4 percent of the FY 2015 General Fund operating budget, costing \$61.2 million. Because employee costs are a significant part of the operating budget, monitoring the changes in the number employees per capita is a good way to measure changes in expenditures.

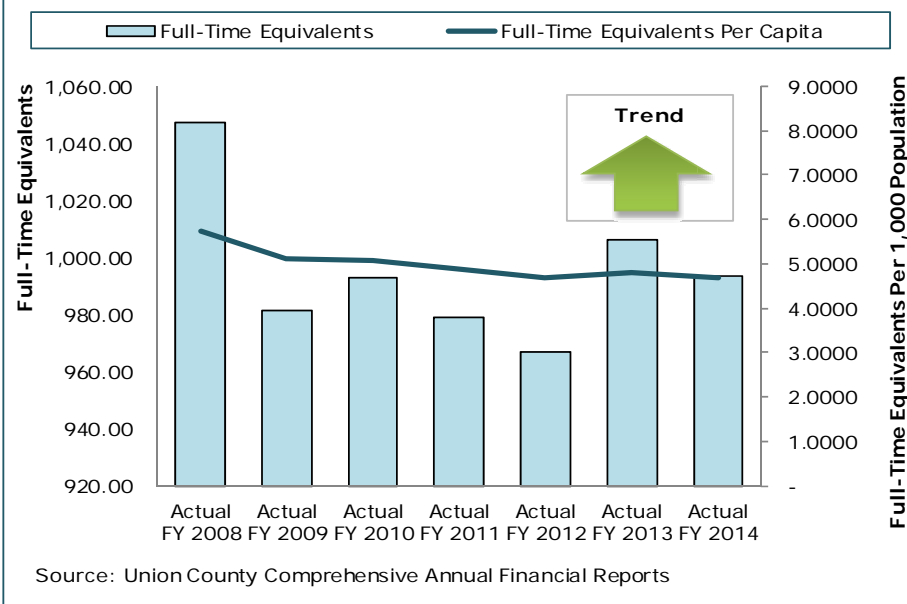
An increase in employees per capita could indicate that expenditures on the whole are growing faster than revenues. Or in cases where population is growing while the number of County employees remains constant or decreases, could indicate efficiency or a growing stress on the service delivery systems.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

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Trends and Analysis

Full-Time Equivalents per 1,000 Population



From FY 2008 to FY 2014, the County has reduced its total employees by 53, resulting in a 18.2 percent reduction in employees per 1,000 population. The largest portion of this reduction came from FY 2008 to FY 2009, when the County reduced its total number of employees by 65.8 and on a per capita basis by 10.8 percent. In addition, in FY 2014, the Union County Public Works reduced its FTEs through contracting with the Charlotte Mecklenburg Utility District, reducing the count by sixteen.

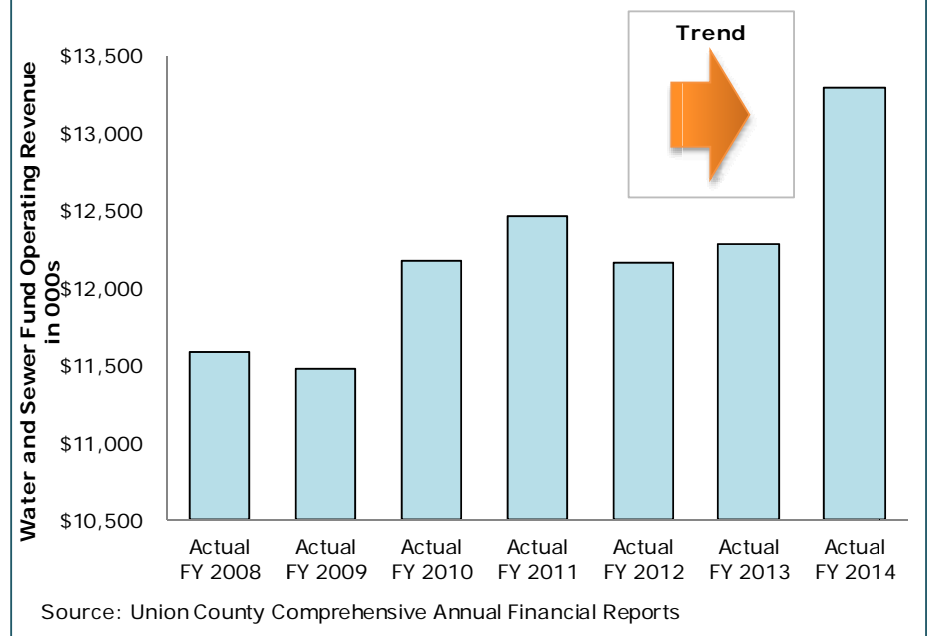
On the surface this trend appears positive, however it may warrant continued monitoring. As the Demand for Services Index (discussed later in this report) will show, fewer employees to provide services will eventually have a service impact. As the indicator demonstrates and as the County returns to some level of growth, there will be some additional staffing to address those growing needs. The trend remains positive; but warrants cautious optimism.

Indicator: Enterprise Operating Position

The operating position or working capital of the Water and Sewer Enterprise Fund provides an indicator of the utilities 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, but the full capital program should not be funded through current revenues, but through a balanced debt program.

Water and Sewer Fund Operating Revenue in 000s



Trends and Analysis

The Water and Sewer Fund Operating Revenue grew by 6.65 percent from FY 2011 through FY 2014. This is largely driven by the rate increases. Additionally, revenue declined from FY 2011 to FY 2012, and grew by 8.3 percent from FY 2013 to FY 2014.

Recent rate increases, starting with FY 2012 at seven percent, and 3.5 percent in both FY 2013 and FY 2014, contributed to the growth in revenue. Given that the growth in revenue was considerably less than the rate increases, additional analysis may be necessary to evaluate the changing demand. This water consumption trend is highlighted in the Demand for Services Index.

Understanding the changing demand will also impact the long-term planning for capital and system capacity, as well as impacting the long-term ability to support debt financing.

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.

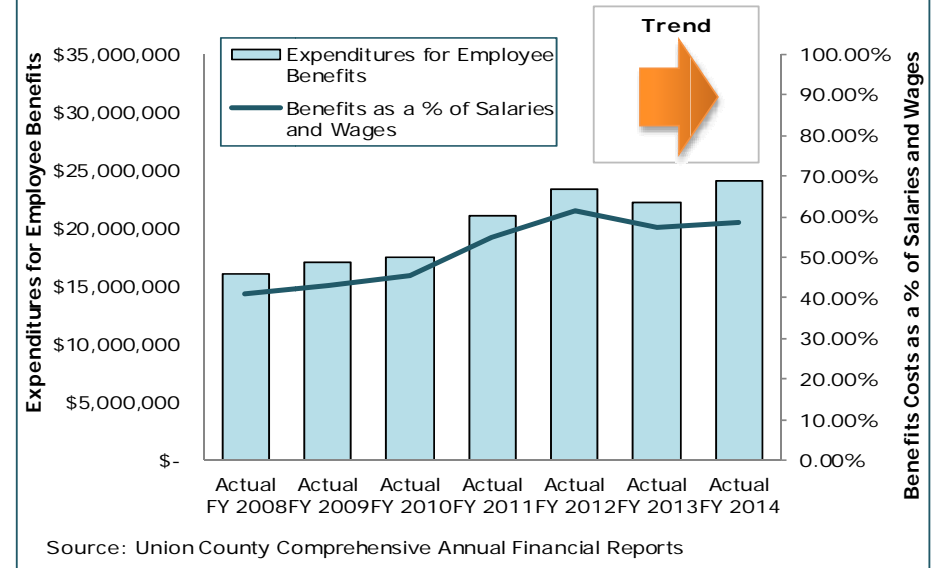
The indicator to track employee benefits and their possible impact on services is to calculate employee benefits as a percentage of employee compensation. An increase in this indicator demonstrates a greater cost and a negative trend. A positive trend would be level or decreasing costs.

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, 2014, represented a long-term liability of \$11.8 million, a decrease of \$802,617 from FY 2013.

Trends and Analysis

Benefits Costs as a % of Salaries and Wages



The cost of employee benefits increased from FY 2013 to FY 2014. This trend is increasing due to the growing cost of health benefits. This trend is neutral and warrants continued monitoring, and will be largely driven by the contributions to the OPEB liability and the growing cost of health benefits.

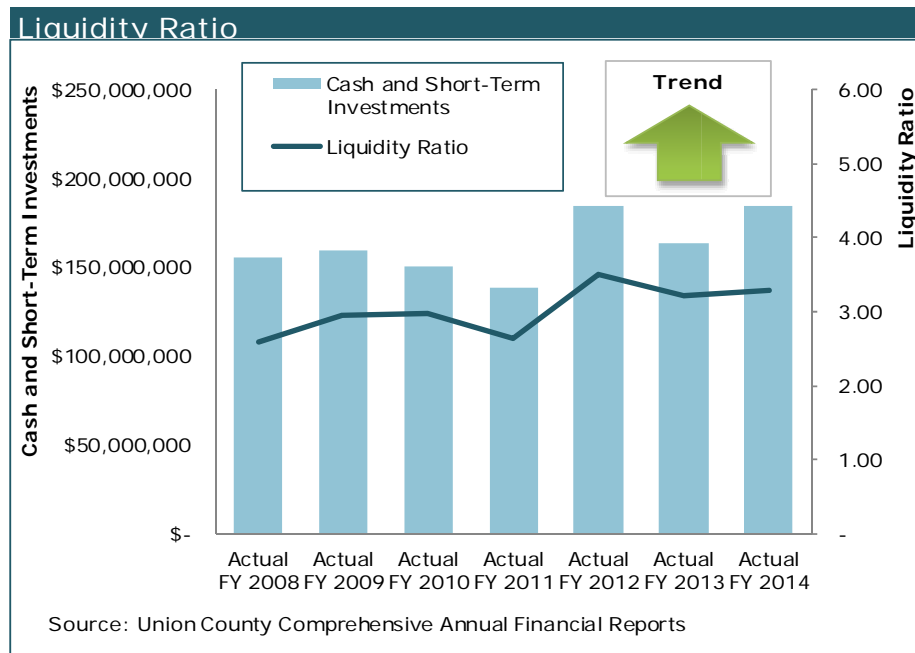
Staff continues to work with consultants to evaluate options to reduce these costs in the future.

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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.



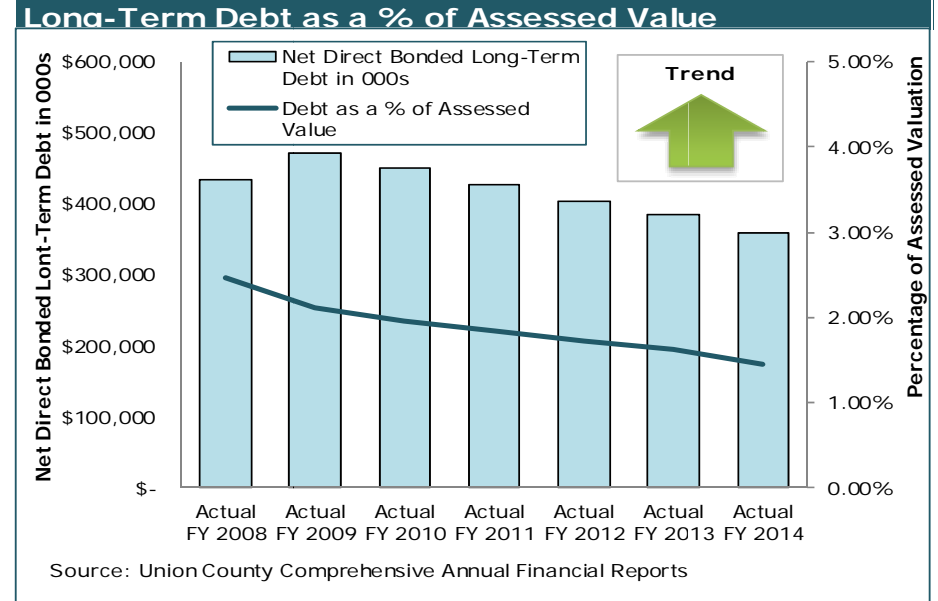
Low or declining liquidity can be an indicator that the County has over extended itself in the long-term; a cash shortage may be the first sign.

Trends and Analysis

The County has experienced a very strong financial position as it relates to liquidity. There was an increase from FY 2013 to FY 2014, and the County cash and short-term investments remained at more than 300 percent of the current liabilities. The liquidity indicator yields a positive trend and the County's liquidity remains strong.

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, while self-supporting debt, is generally supported by revenue other than taxes. The direct debt is then measured as a percentage of assessed valuation.



Trends and Analysis

The long-term debt indicator shows a positive trend since FY 2008. The positive trend is the result of two components. The assessed valuation has grown each year, growing from \$17.5 billion in FY 2008 to \$24.6 billion in FY 2014. During this same period, the County's direct debt has declined from \$433 million in FY 2008 to \$358 million in FY 2014.

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.



Indicator: Population

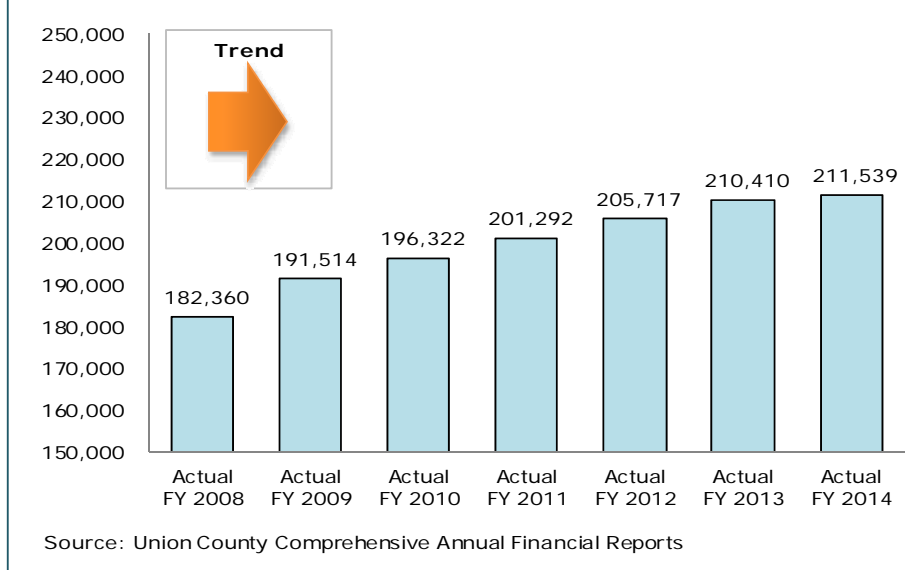
Changes in population have a direct effect on the County's revenue and expenditures. As was experienced in the 2000s, a sudden increase in population can create immediate pressure for new capital outlay and higher levels of services.

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 and Analysis

Union County's population has grown by 29,179 residents since FY

Population

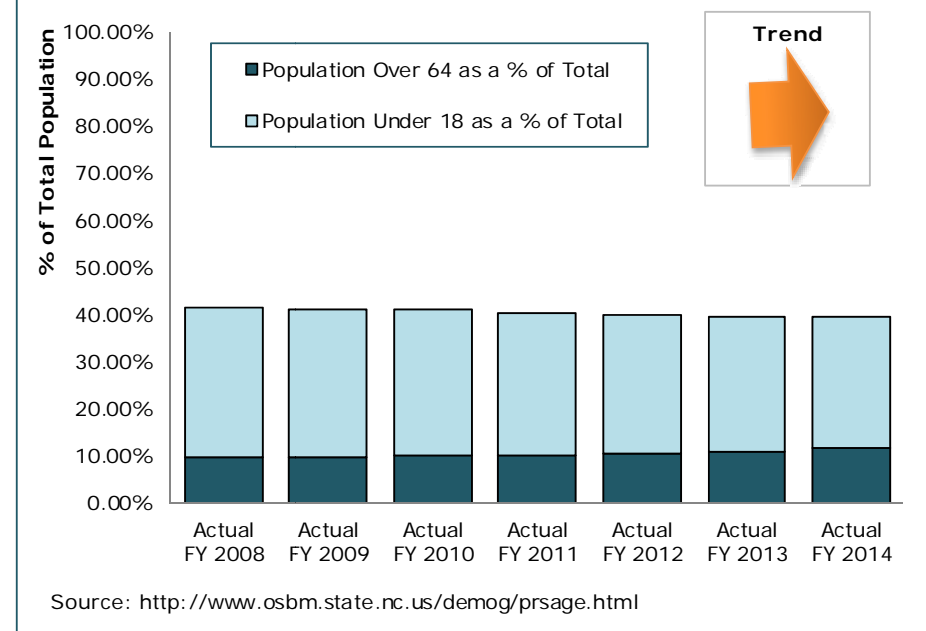


2008. This equates to average growth of 2.5 percent annually. As mentioned earlier, simple population growth is not a positive or negative indicator. The average growth in this indicator makes this a trend to watch.

As discussed in the recommendations portion of this report, while this indicator is not trending toward a high growth cycle, there is a trend of growth. Additional steps and analysis are needed to understand the growth pattern and the changing service needs of the population.

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

Ratio of Population Under 18 and Over 64



The percentage of individuals living in the County who are under 18 and over 64 is a measure of the County's needs. This indicator helps to measure the level of current and future needs and the level of burden in the County. This population subset typically requires more services than the remainder of the population. This indicator measures this group as a percentage of the total population.



Trends and Analysis

This indicator has shown continual decline going from 41.5 percent in FY 2008 to 39.6 percent in FY 2014. This trend is positive; 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 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.

Note on Aging Population:

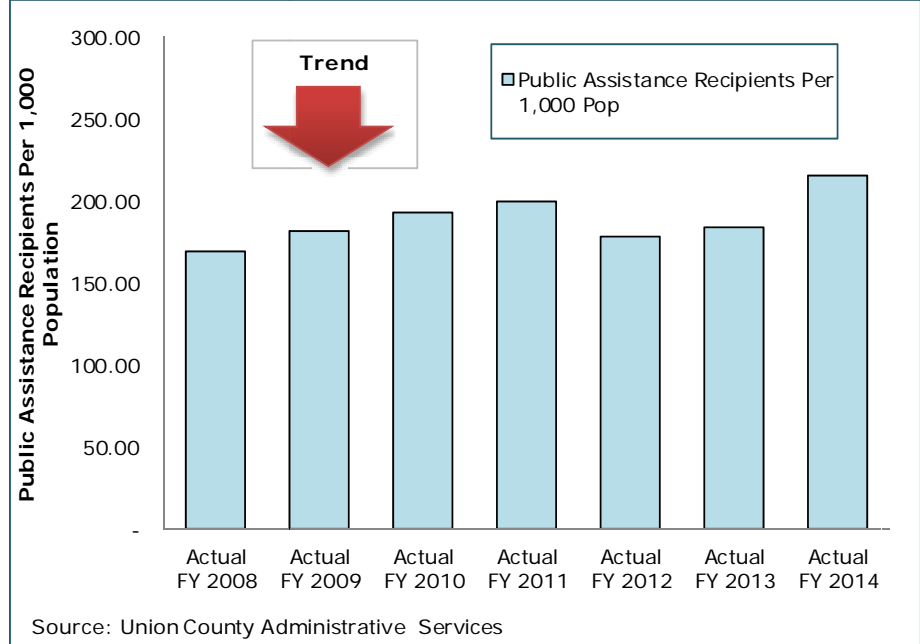
While this indicator is showing signs of decreasing, the intra-indicator shift is showing signs of an aging population and a reduced under 18 population. This indicator provides insight in the shifting program needs. The under 18 population has gone from 31.69 percent in FY 2008 to 28.04 percent in FY 2014, while the over 64 population has grown from 9.8 percent in FY 2008 to 11.5 percent in FY 2014.

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.

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Public Assistance Recipients Per 1,000 Population



Trends and Analysis

The indicator is showing a negative trend. It reflects a continual, annual increase. From FY 2008 to FY 2014, the number of public assistance recipients per thousand population increased by 27.9 percent, or an average of about 4.2 percent a year.

This growth 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.

This indicator showed its greatest increase from FY 2012 to FY 2014, growing by 21.4 percent. This trend requires monitoring and indicates that additional resources may be needed for County public assistance services.



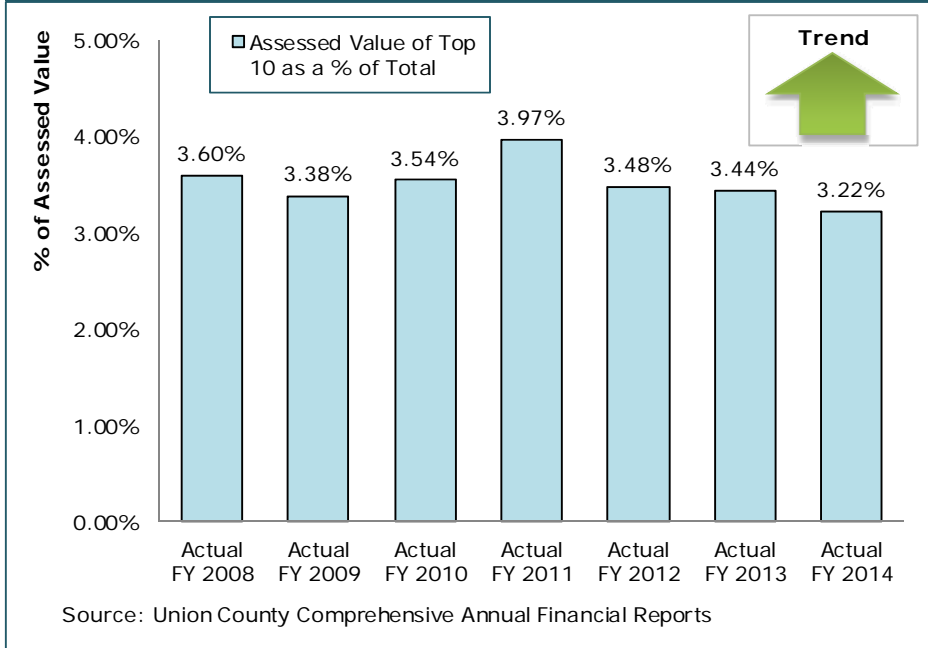
Indicator: Top Ten Taxpayers as a % of Assessed Valuation

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 tax payers. Bond rating agencies use this indicator to determine the degree of concentration. If the County relied too heavily on just a few tax payers for property taxes, it will be vulnerable to any changes in these tax payers assessments and/or ability to pay taxes.

Note Concerning Residential Values:

This indicator is not a complete picture. The indicator fails to demonstrate the exposure or sensitivity of the County to declining residential values. As the County heads toward a re-valuation year, the residential values could change significantly.

Assessed Value of Top 10 Taxpayers as a % of Total



Trends and Analysis

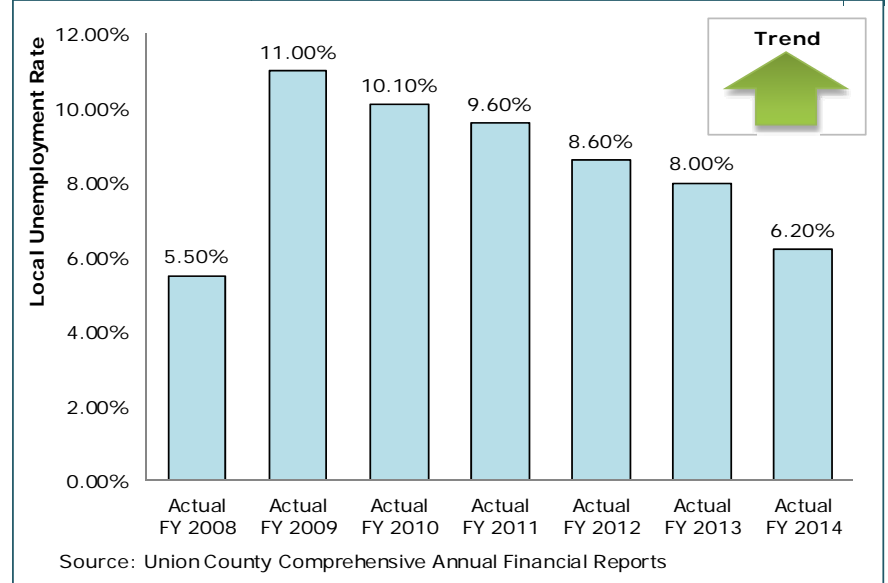
The indicator shows a positive trend. The most meaningful indication shown is that during the indicator period, the top ten tax payers have not climbed above 4 percent. In FY 2014, this group only reflected 3.2 percent, showing limited exposure to a specific industry.

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.

Local Unemployment Rate



Trends and Analysis

The unemployment rate hit a high of 11 percent in FY 2009, and has come down to 6.2 percent in FY 2012. This positive trend is expected to continue into FY 2015 and FY 2016. The 6.2 percent is reflective of the economic improvement and recovery.

Indicator: Gross Retail Sales in 000s

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.

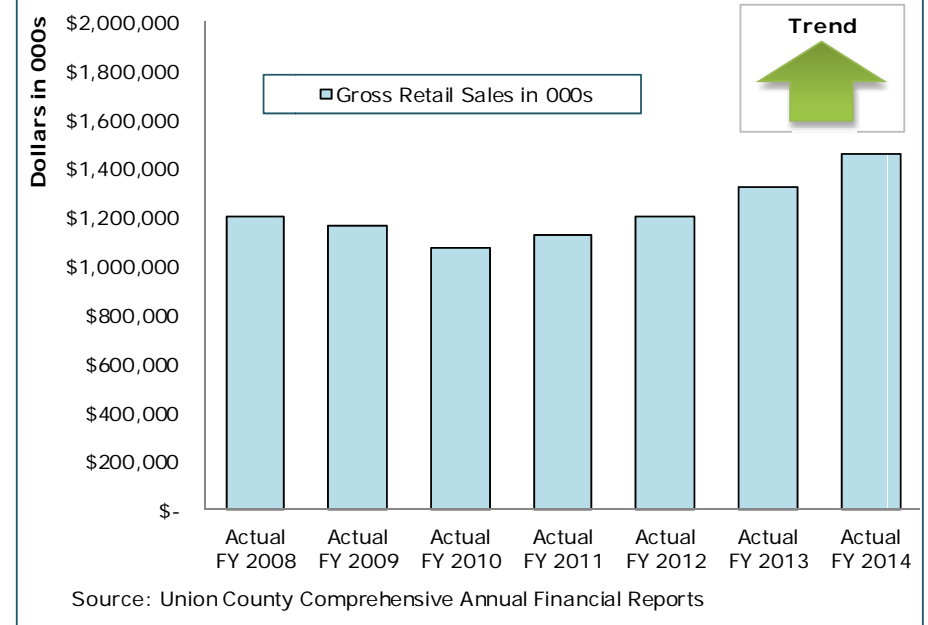
Note on Retail Sales:

Retail sales are largely dependent of 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.

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Trends and Analysis

Gross Retail Sales in 000s











In FY 2014, the gross retail sales continued to grow beyond where they were in FY 2008. This marks the second year that this is the case and signals a positive trend. This indicator shows 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.

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Economic and Debt Indicators

Indicator	Trend	2008	2009	2010	2011	2012	2013	2014
Consumer Price Index - South (CY)		208.68	207.84	211.34	218.62	223.24	226.72	230.83
Case Shiller Index - Charlotte (CY)		130.38	119.65	115.55	111.40	113.28	121.85	126.43
Consumer Sentiment Index - South Region (CY)		67.05	66.27	70.58	67.14	75.25	76.64	79.76
Quick Ratio (CY)		94.16%	142.42%	146.33%	145.66%	252.65%	216.84%	226.11%
Leverage Ratio (FY)		231.91%	263.66%	265.03%	259.71%	181.72%	189.64%	165.64%
Debt Ratio (FY)		3.41%	2.60%	2.41%	2.27%	2.13%	2.00%	1.79%
Debt Service Burden (FY)		20.00%	22.52%	23.51%	22.77%	22.51%	22.21%	19.47%
Debt Per Capita (FY)		3,282.04	3,025.62	2,817.13	2,610.45	2,421.36	2,247.34	2,085.48

Economic and Debt Indicators

As mentioned earlier in the report, new this year is the Economic and Debt Indicator (EDI) section. The EDI represents a group of indicators that look at the County specifically, but also the regional economy. This regional focus recognizes the impact of the region on the County, while the specific debt indicators further drill down on the impact of debt on the County.

Additionally, these indicators are used by ratings 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 issues in the region.

	Positive Trend
	Neutral to be Monitored
	Negative Trend

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.

Trend and Analysis

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 increasing; hence 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 an indicator by indicator analysis 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.

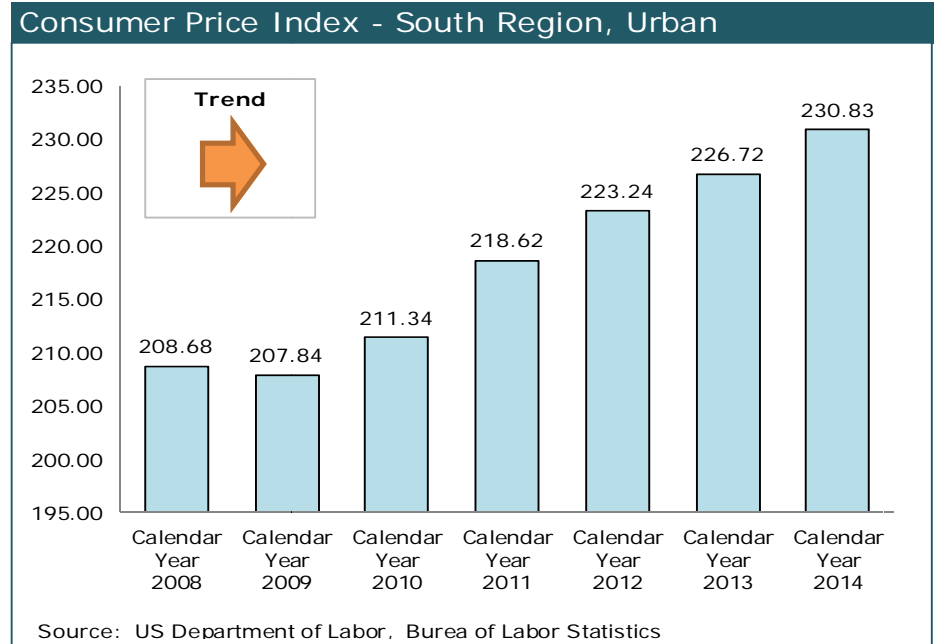
Indicator: Consumer Price Index – South

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 information is available for both Urban and Rural areas. The Urban index is used in the County's case, as 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 September 2014 CPI number is used.

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Trends and Analysis

The CPI – South Region has grown each year since 2009. From 2013 to 2014, the increase was 4.11 points or 1.81 percent. This continued 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 reduces economic activity in the community.

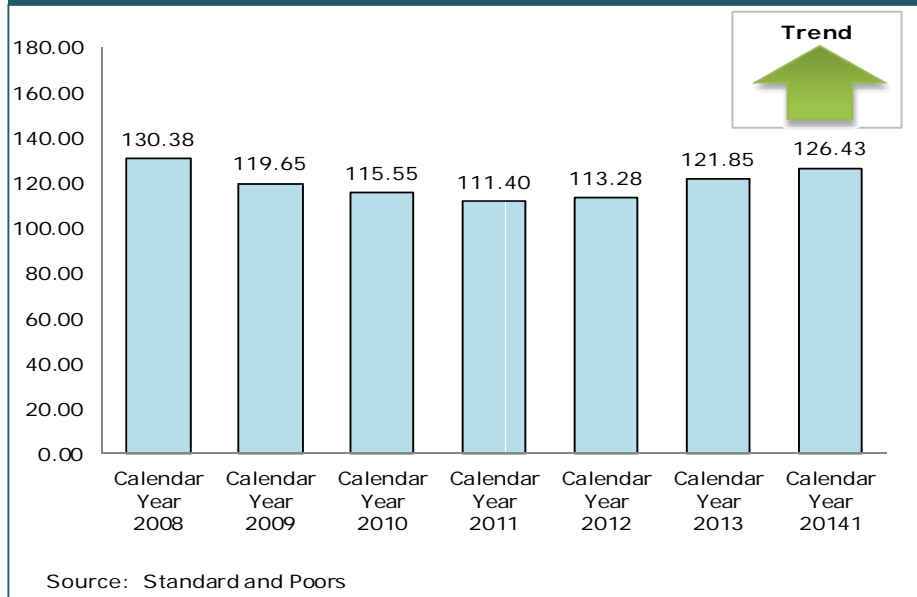
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Indicator: Case Shiller Home Price Index – Charlotte, NC

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.

Case Shiller Home Price Index - Charlotte, NC



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 September 2014.

Trends and Analysis

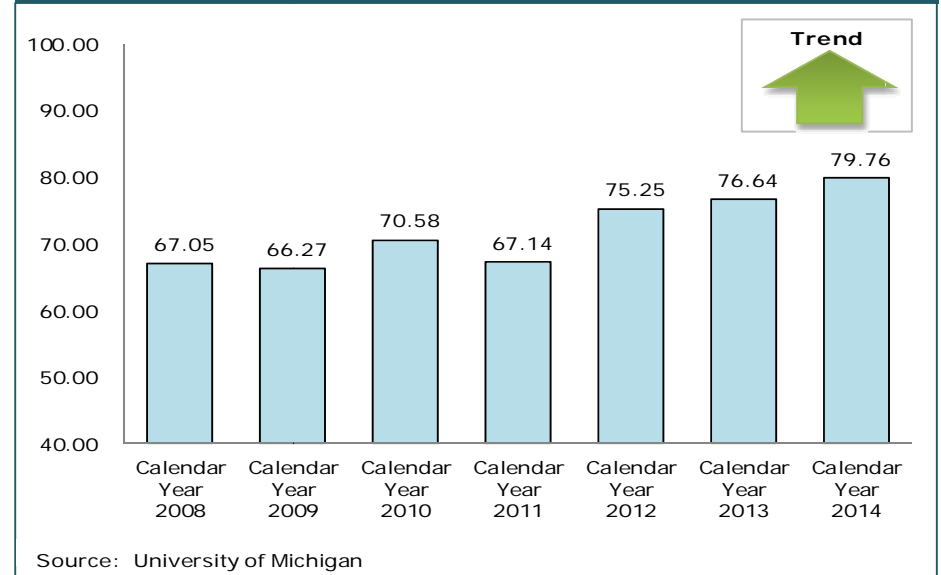
After essentially bottoming out in 2011, the Case Shiller Index has shown signs of improvement during the past three years. The price index has almost returned to the 2008 level.

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.

Indicator: Consumer Sentiment Index – South Region

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 Index - South Region



Consumer Sentiment is a well-recognized leading indicator, and gauges economic expectations and optimism/pessimism on business, personal finance and spending habits. The South Region index was included as it likely more closely mirrors expectations of the local economy. The data used for this report is from September 2014.

Trends and Analysis

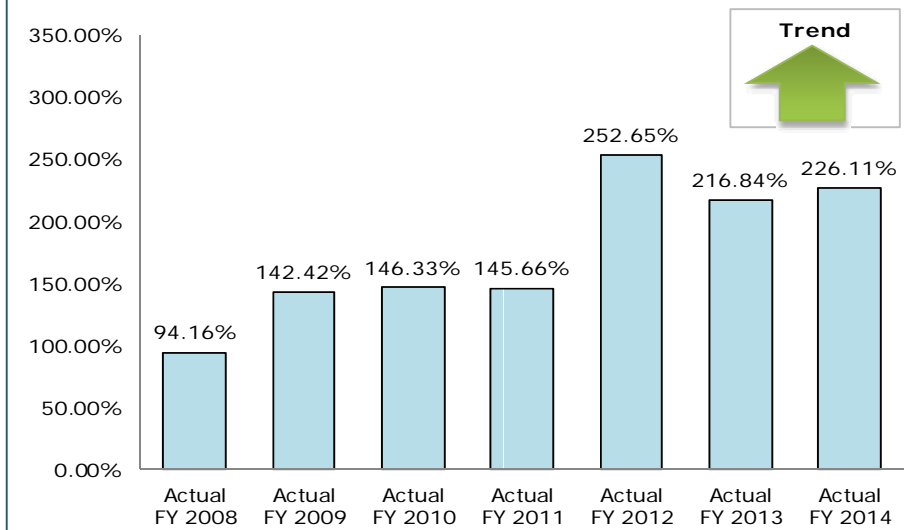
Consumer confidence is at its highest level since 2008. This is a positive statement concerning the future and the willingness of the consumers to spend money in the market place. When confidence is low, the consumer will stop spending and reduce the activity in the local economy.



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.

Quick Ratio



Source: Union County, NC - Comprehensive Annual Financial Report

Trend and Analysis

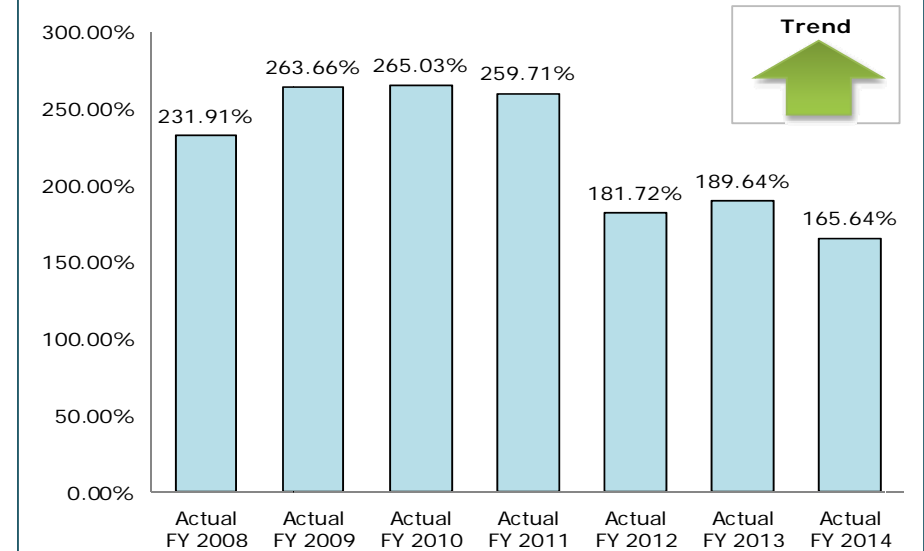
Typically, a ratio of less than 100% is considered to be negative. For example, in 2008, there was 94.16 cents to fund each \$1.00 of liability. Since then the County has seen steady growth in this indicator and is currently at \$2.26 for every \$1.00 of current liabilities.

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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.

Leverage Ratio



Source: Union County, NC - Comprehensive Annual Financial Report

Trends and 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.

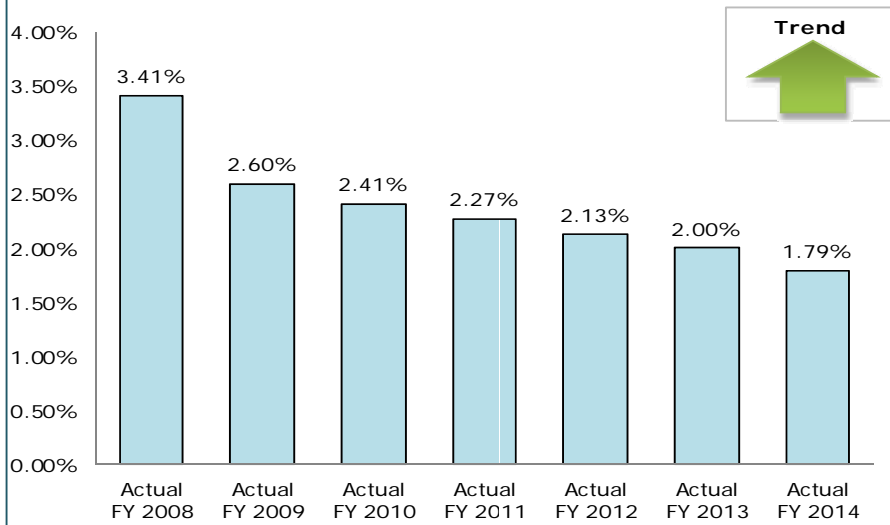
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Indicator: Debt Ratio

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.

Debt to Assessed Value Ratio



Source: Union County, NC - Comprehensive Annual Financial Report

Trends and Analysis

Although the Debt Ratio has been declining since FY 2008, based on FY 2013, Union County still ranks the third highest for N.C. Counties with greater than 100,000 population.

This trend is positive given the continued decrease and is expected to continue into the near future. Issuance of new debt, however, will change this indicator.

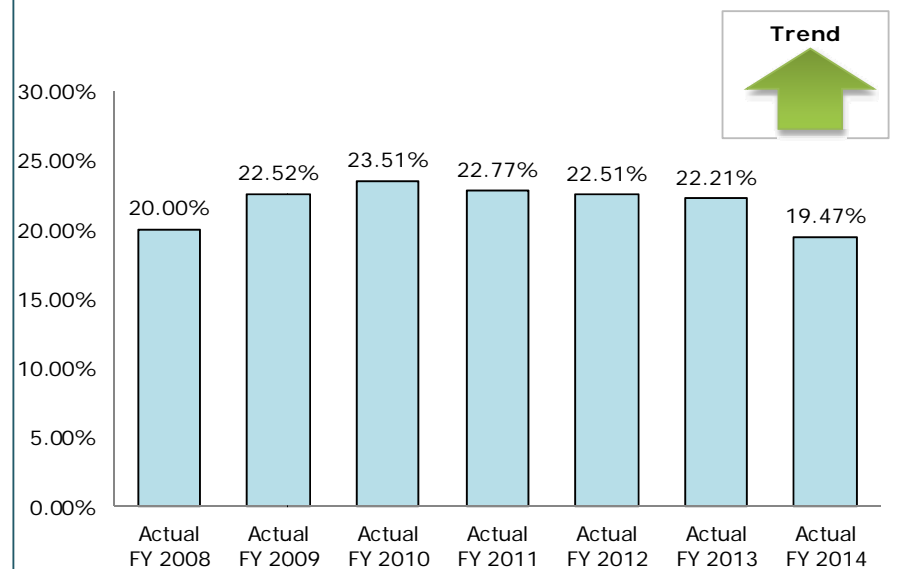
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Indicator: Debt Service Burden

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% is considered high from the rating agencies.

Debt Burden



Source: Union County, NC - Comprehensive Annual Financial Report

Trends and Analysis

Although the debt burden has decreased by 4% since 2010, it remains well above our N.C. peer group FY 2013 average of 13.86%.

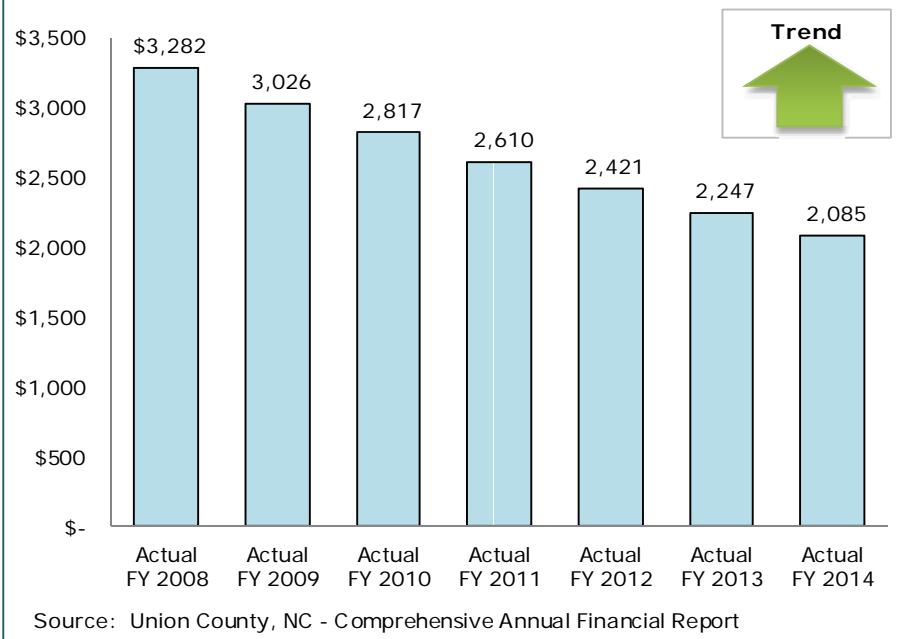
The positive trend reflects the continued improvement in this indicator.



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.

Debt Per Capita



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Trends and Analysis

Although debt per capita has decreased by over 50% over the previous six years, it remains the second highest in the State based on FY 2013 information.

The positive trend reflects the continued improvement in this indicator.



Demand for Service Index

Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Library Visits - Physical and Virtual Per Capita	53.01	51.61	59.74	85.44	61.00	59.59	55.17
Index	100.00	97.35	112.69	161.16	115.07	112.40	104.07
Average Daily Membership Per 10,000 Population	2,034.99	2,013.12	2,005.18	1,982.20	1,927.60	1,912.84	1,939.12
Index	100.00	98.93	98.54	97.41	94.72	94.00	95.29
Social Services Client Visits Per 1,000 Population	243.73	276.50	280.67	281.19	281.87	272.57	235.05
Index	100.00	113.45	115.16	115.37	115.65	111.83	96.44
Health Department Client Visits Per 1,000 Population	159.17	165.76	187.74	128.70	116.03	112.40	98.92
Index	100.00	104.14	117.95	80.86	72.90	70.62	62.15
Water and Sewer Accounts Per Capita	0.3650	0.3540	0.3507	0.3476	0.3482	0.3515	0.3625
Index	100.00	96.99	96.08	95.25	95.41	96.30	99.32
Billed Daily Water Consumption in 000s Gal/Per Capita	0.0543	0.0455	0.0487	0.0502	0.0474	0.0451	0.0466
Index	100.00	83.84	89.63	92.34	87.26	83.12	85.83
EMS Calls Per 1,000 Population	85.16	81.38	84.18	86.64	88.25	89.39	89.61
Index	100.00	95.57	98.86	101.74	103.64	104.97	105.23
EMS Transports Per 1,000 Population	59.12	56.97	59.02	60.63	61.23	61.31	59.28
Index	100.00	96.36	99.81	102.55	103.57	103.69	100.26
Building Permits per 10,000 Population	170.54	111.43	103.76	86.79	100.19	125.47	174.20
Index	100.00	65.34	60.84	50.89	58.75	73.57	102.14
Sheriff Calls for Service per 1,000 Population	363.80	496.95	541.10	551.63	543.78	443.83	636.03
Index	100.00	136.60	148.73	151.63	149.47	122.00	174.83
Population in 000s	182.36	191.51	196.32	201.29	205.72	210.41	211.54
Index	100.00	105.02	107.66	110.38	112.81	115.38	116.00
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Index	100.00	102.78	104.95	103.36	101.01	98.09	104.39

Demand For Services Index

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 indicators that can serve as a general indicator, when taken together to provide an aggregated indicator



of total service demand. This aggregated indicator, 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.

Index Construction

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 adjusted 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.

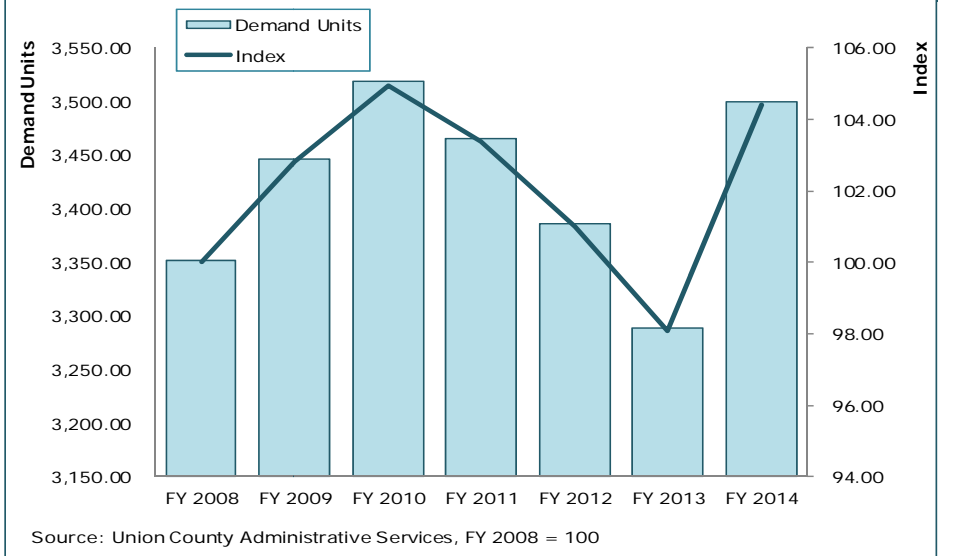
The additional indicator, population, provides a general indicator of population growth, while the first ten indicators are service driven, the population indicator acknowledges the general demand on resources that population increases bring.

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. As the index changes, to say 102.14, there has been a growth of 2.14 percent in demand for that particular service.

Trends and Analysis

As the table on the previous page indicates, overall demand has grown by 4.39 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 clearly 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.

Demand for Service Index



By FY 2013, the DSI saw its lowest point at 98.09. 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



Full-Time Equivalent Index

Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
FTE	1,046.90	981.10	922.70	979.20	967.00	1,006.10	993.36
FTE Index	100.00	93.71	88.14	93.53	92.37	96.10	94.89
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Demand Units Per FTE	3.20	3.51	3.81	3.54	3.50	3.27	3.52
Demand Units Per FTE Index	100.00	109.68	119.07	110.51	109.35	102.07	110.01

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.

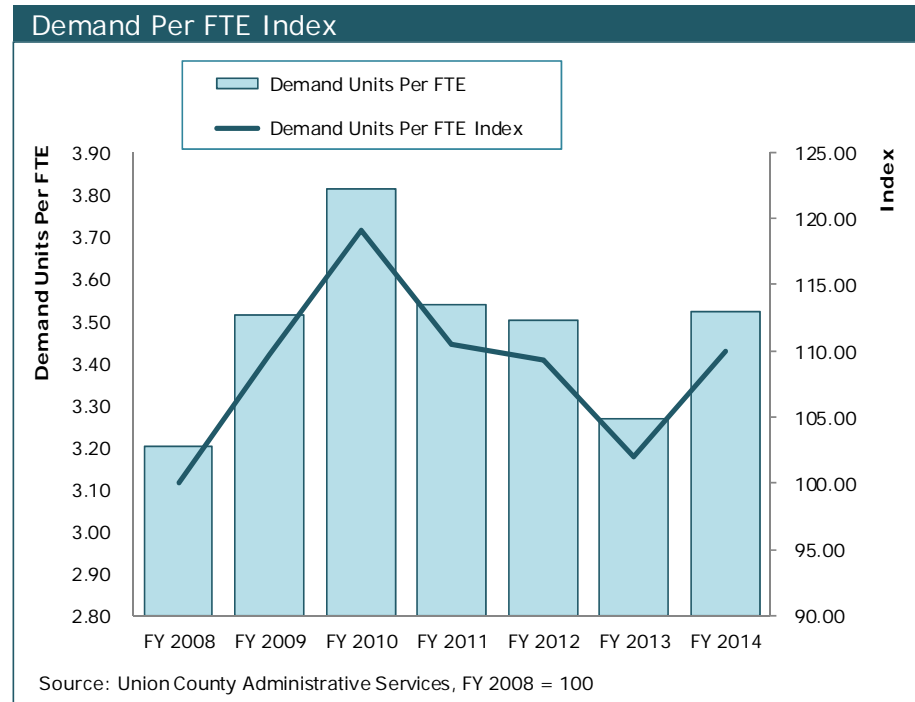
As the table indicates, since FY 2008, the County has experienced slightly more than a five percent reduction in FTE, with an index of 94.89. Keeping in mind during this same period, there was an increase of 4.39 percent in the demand for services.

Considering this growth in demand, with the decline in FTE, the Demand Per FTE Index indicates that there is a 10.01 increase in the demand per FTE.

As with the demand index, the height of demand can be seen in the FY 2010, when there was the greatest demand on County Services, with the lowest FTE index, of 88.14 coming in FY 2010 also. 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 observations 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 110.01 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 goes beyond the capacity to deliver, the organization is placed in a higher level of risk.



Demand for Services Index Conclusions

When considering the DSI it is important to consider that the index is only indicative of the current trends and should be considered as a whole. The index provides a snap shot of the trends in demand.

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

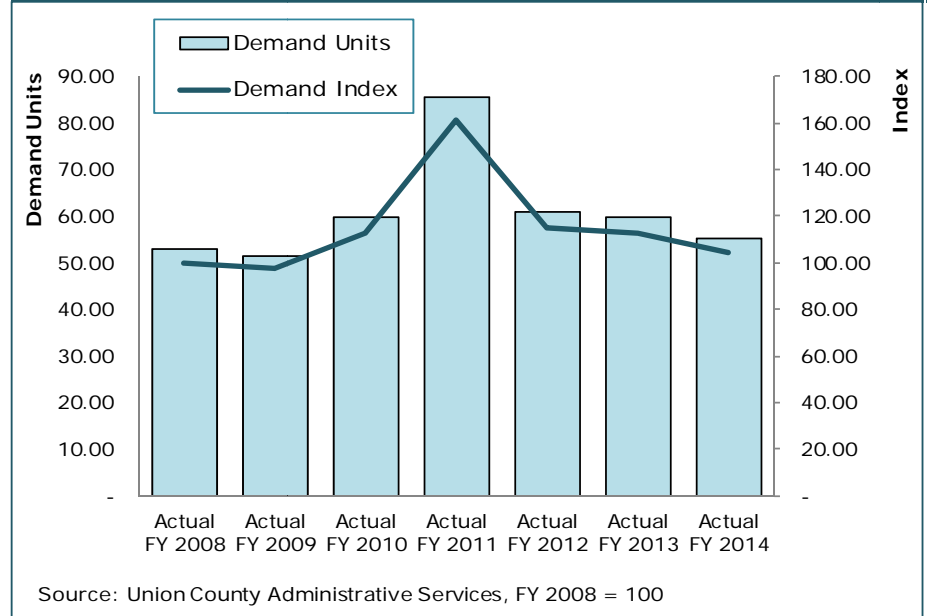
- During the index period, the demand has grown to 104.39, however, considering that in FY 2009, the index was 104.95, there has been limited growth in overall demand.
- Although, the population has increased during the index period by sixteen percent, the demand on services has increased by less than five percent.
- The largest area of growth was in the demand for Sheriff's Calls for Services, seeing a seventy-five percent increase since FY 2008.
- 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 2014 was 94.89, 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 110.01 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. This indicator has been revised for the FY 2016 index.

Library Visits - Physical and Virtual Per Capita



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 the minimal marginal impact on demand for resources.

Trends and 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 down turn 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.

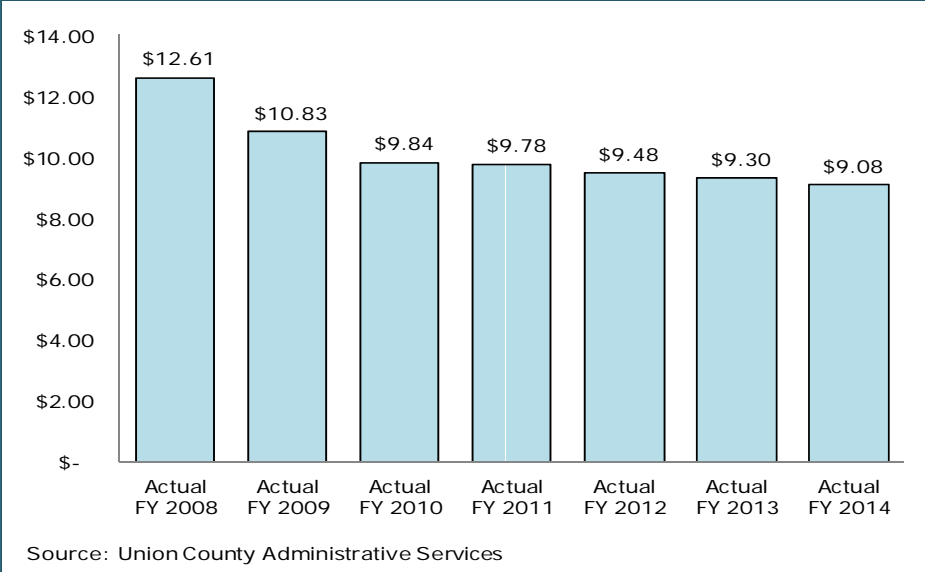
This increase in computer usage can be seen in the number of users on the internet computers. In FY 2008, there were 88,733 users of the internet computers, by



FY 2011, this number had ballooned to 115,377, a thirty percent increase in just three years. By FY 2014, this number had decreased to 94,159, still higher than FY 2008, but much lower than the peak in FY 2011.

In addition to the computer users, in FY 2011, the number of visitors to the 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 2014, the number of physical visitors had decreased to 548,566, with an increasing virtual presence.

Cost Per Capita in Constant \$



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 2010. However, the cost for providing those services, on a per capita basis has seen a steady decrease.

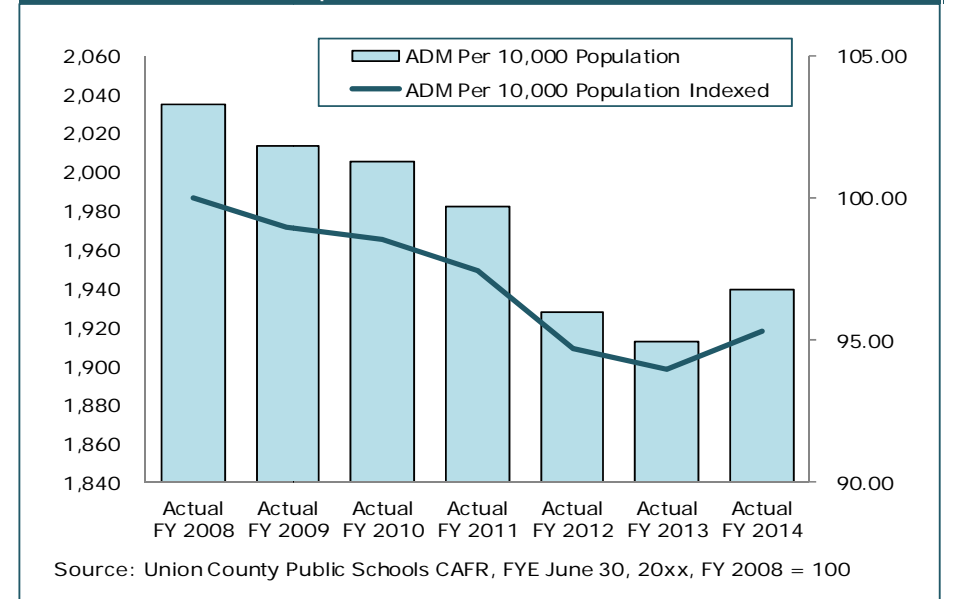
Indicator: Average Daily Membership Per 10,000 Population

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.

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 2014 of 1,939.12 as a percentage of the total demand units of 3,499.33, or 55.4 percent of the total demand units. In FY 2014, including the emergency roofing appropriation, UCPS represented about sixty percent of the General Fund expenditures. Historically, this percentage ranges from fifty to sixty percent.

ADM Per 10,000 Population Indexed



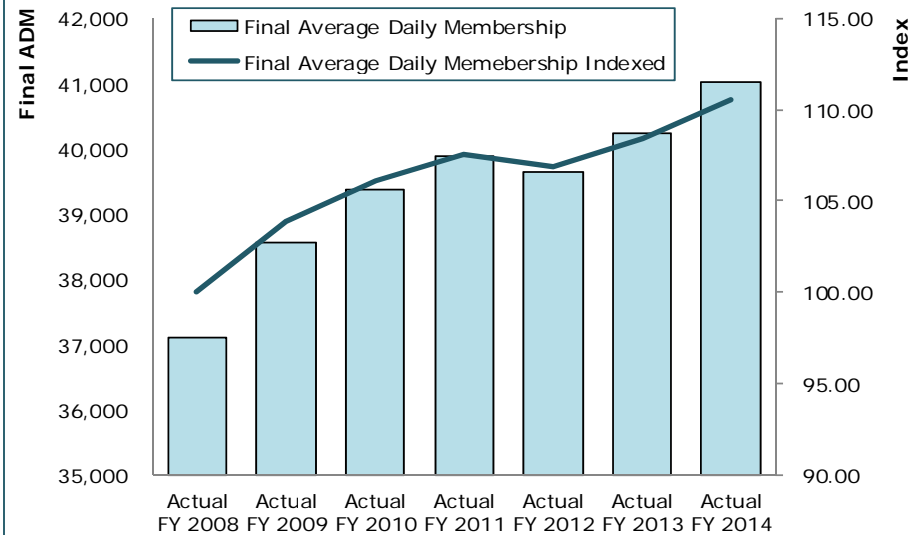
Trends and Analysis

As the trend in the graph above indicates, the ADM Per 10,000 Population has seen a dramatic decrease from FY 2008 to FY 2013 actually showing a decline of six percent. This indicates that the growth in ADM, as shown on the following page, is largely due to the in-migration versus the organic growth in the County.



Considering Final Average Daily Membership, unadjusted for population, we can evaluate the real impact on UCPS. From FY 2008 to FY 2014, the ADM grew by an average of 1.76 percent annually, going from 37,110 in FY 2008 to 41,020 in FY 2014. The continued growth of about two percent is consistent with recent demographic reports.

Final Average Daily Membership Indexed



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

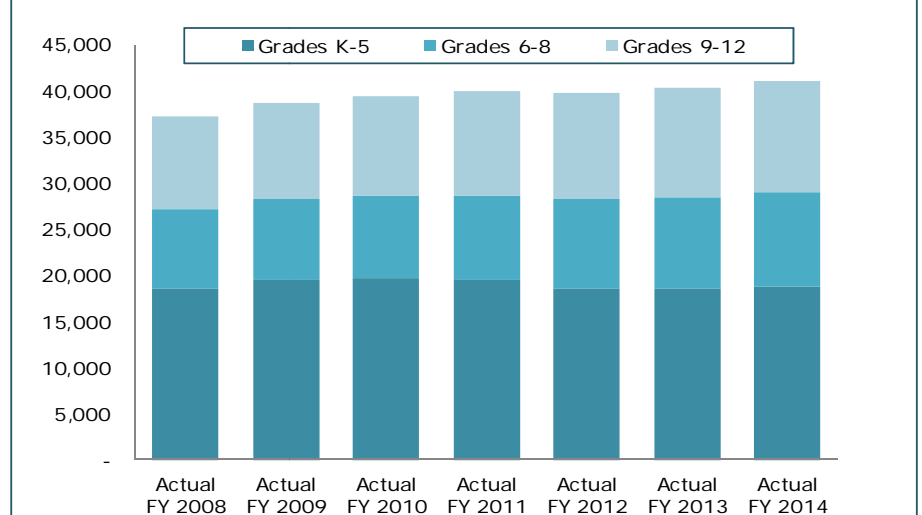
In addition to the consideration of growth in UCPS as a driver of resource need, a school system should be evaluated in light of the composition of the students. As the next graph indicates, while the largest portion of the student population is consistently the elementary age, K-5, there is a growing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

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.

The challenge facing the school system is twofold. The first challenge is planning for the increase or bubble of students coming

through to grades 9-12 and balancing the need for immediate resources against the true long-term need. The second challenge is addressing the geographical location of the students and the sustained need in certain portions of the County. In short, assuming current patterns hold, the growth in the next few years will not be in the areas that currently have classroom capacity.

Student Population Composition



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

As of the writing of this report, there is a joint working group of Board of County Commissioner and Board of Education appointees evaluating the capital needs of UCPS in the hopes of making a final recommendation to both boards concerning new construction and maintenance.

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.

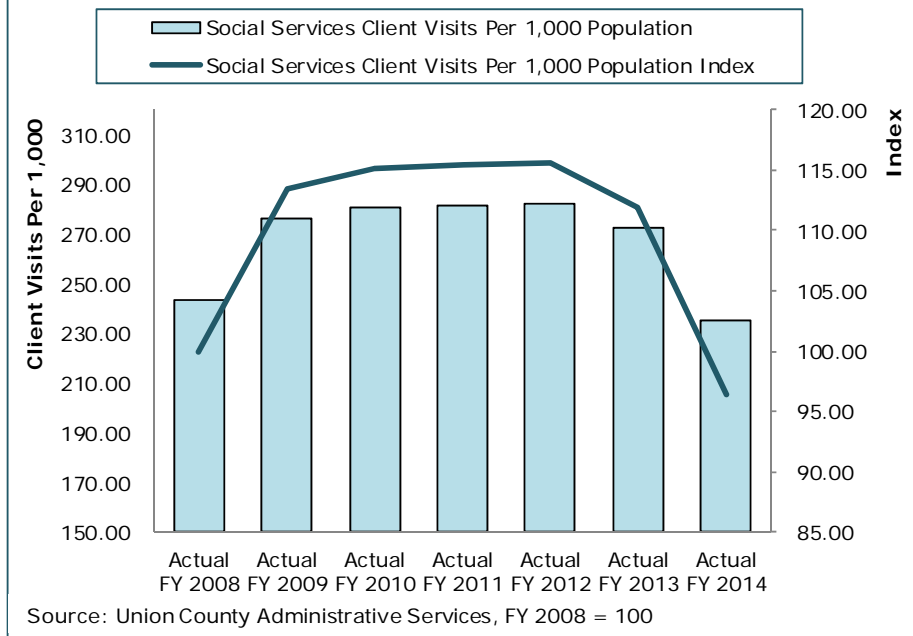
Social Service Client Visits are adjusted to Per 1,000 population to properly weight the impact of this demand in the context of the total demand for services.



Trends and Analysis

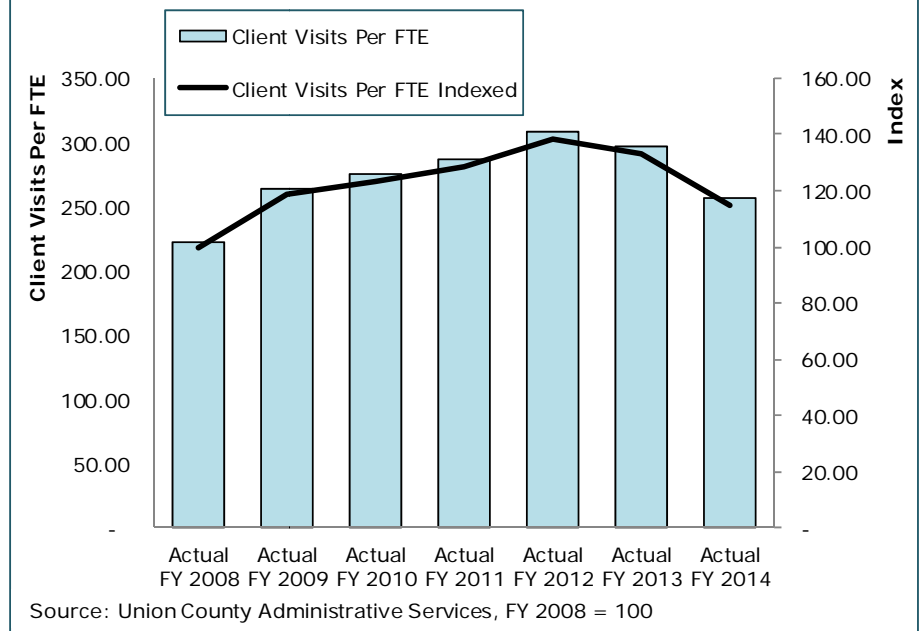
Social Service Client Visits Per 1,000 Population has shown a decline during the past couple of years. This decline is to be expected in Social Services. Much like the Library Indicator, there was intense growth in service demand during the latest economic downturn. With the improving economy it can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

Social Service Client Visits Per 1,000 Population



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 next graph indicates, in FY 2014, the load on each FTE was fifteen 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.

Client Visits Per FTE



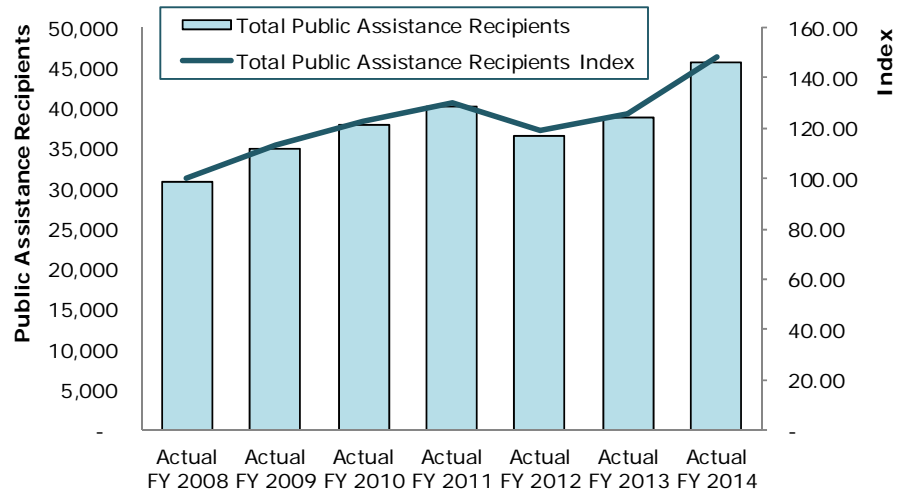
The declining load is primarily due to the declining number of visits as well as the increased staffing provided. These two factors have worked to help reduce the risk to the organization.

Beyond the number of visits and the 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 next table indicates, although the County experienced a reduction in recipients in FY 2012, there were significant increases in FY 2013 and FY 2014. In FY 2014, there are 48.35 more recipients than in FY 2008. A deeper review of this growth in recipients provides an idea of primary area of impact.



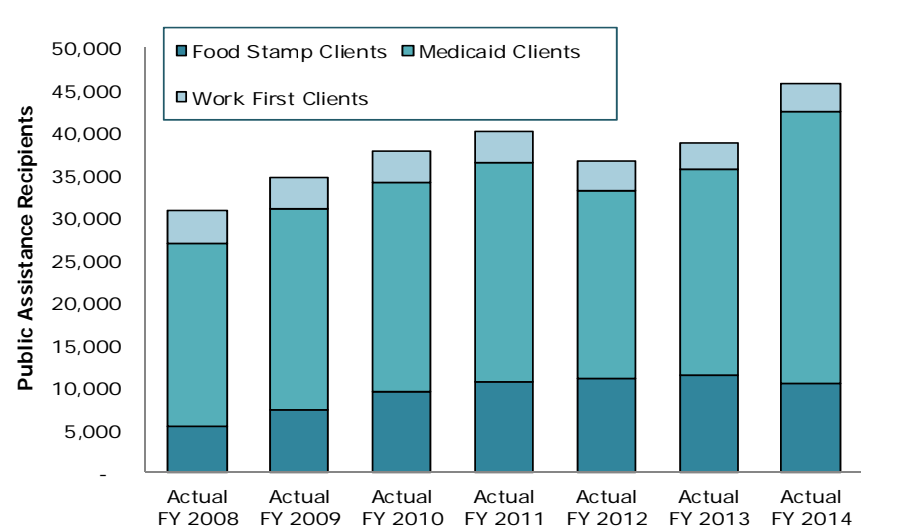
Public Assistance Recipients



Source: Union County Administrative Services, FY 2008 = 100

While the recipients of food stamps and the work first program services are declining, the passage of the affordable care act and changes in the Medicaid program have led to the increases in the number of recipients during FY 2013 and FY 2014. This is a trend that should be monitored moving forward and its impact on staffing levels and as an indicator to the community as a whole.

Public Assistance Recipients by Type



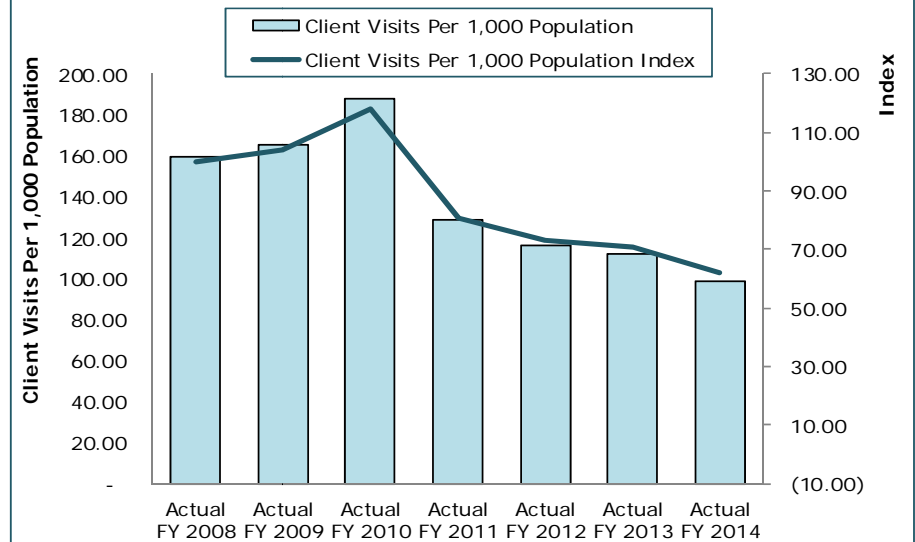
Source: Union County Administrative Services, FY 2008 = 100

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 Client Visits. Client visits indicate the actual touches 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.

Client Visits Per 1,000 Population



Source: Union County Administrative Services, FY 2008 = 100

Trends and Analysis

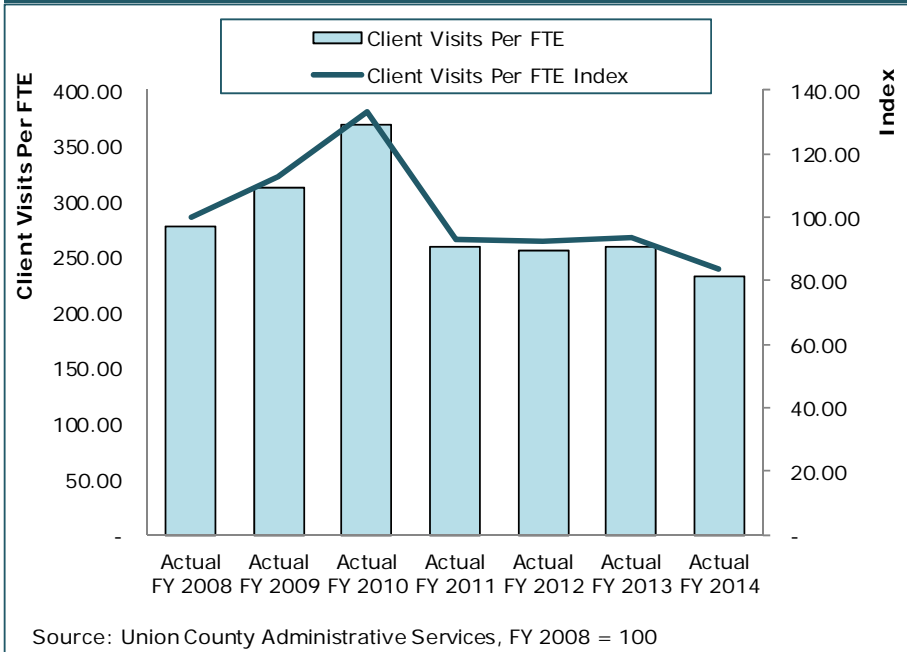
Health Department Client Visits Per 1,000 Population has seen a drastic decline since FY 2010.

The decline in this indicator is driven by two specific factors. The first factor, as discussed earlier, is the improving economy reduces the usage of the social service aspects of the services provided through the Health Department. During economic improvement the community is less reliant on these types of services.



In addition to the changing service demand dynamic, part of the reduction beginning in FY 2011 can be attributed to the implementation of the State's new Health Information System (HIS). This system allows for billing and cataloging of patients. To accommodate this implementation, the numbers of appointments made available have been reduced.

Client Visits Per FTE



Health Department Client Visits, 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 2014.

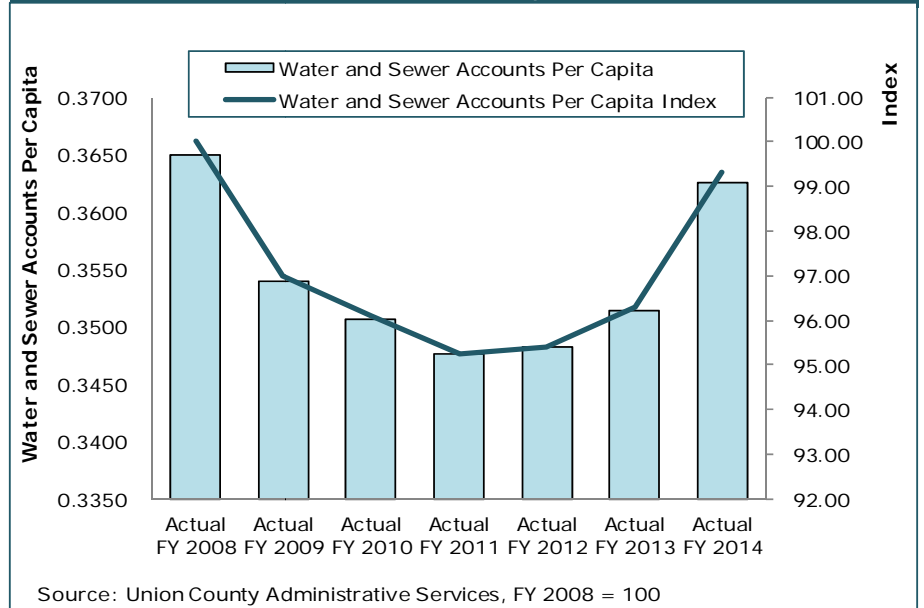
This trend indicates that possible additional analysis is needed to ensure that the services being offered match the services needed and that resources are allocated in the greatest areas of need within Human Services.

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 utility, 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.

Water and Sewer Accounts Per Capita



Trends and Analysis

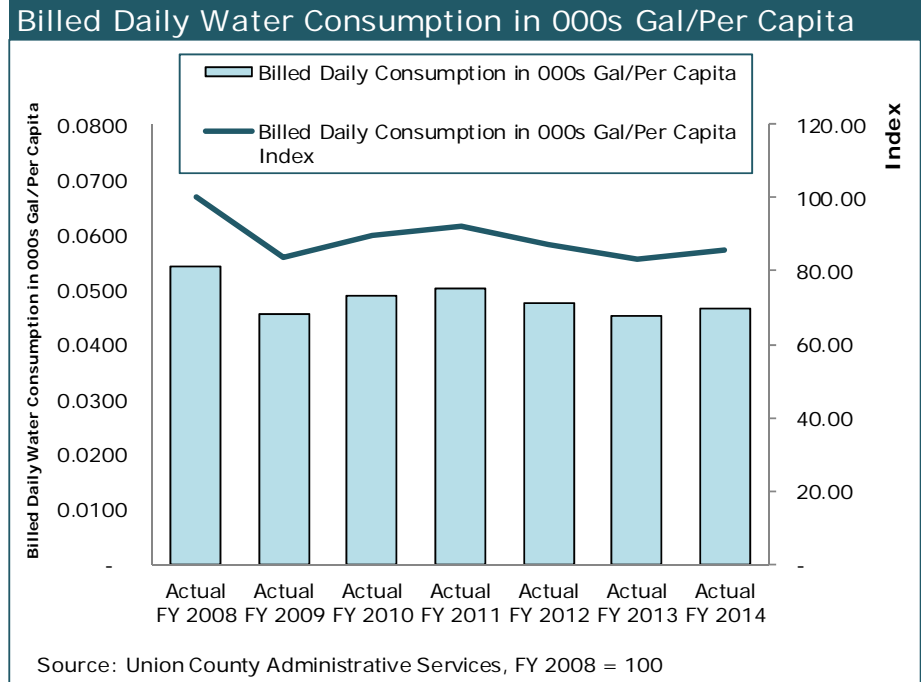
The Index for Water and Sewer Accounts Per Capita is at 99.32 meaning that the demand for water and sewer service is consistent with the FY 2008 demand. The only driver is growth in the population. The analysis indicates that the growth in customers will come through the growth or in-migration, not as much from organic growth within existing populations.



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

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.



Trends and Analysis

The Billed Daily Water Consumption in 000s Gal/Per Capita index for FY 2014 is 85.83. This shows a near fourteen 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.

This trend should be monitored to ensure that future funding for infrastructure is adequately provided through the adopted rate increases.

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.

EMS Calls Type	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014
Rout. Calls	2,902	2,630	2,269	2,325	2,009	2,516	2,439
Rout. Calls W/O Delay	1,226	2,120	3,107	3,448	3,991	4,485	5,118
Emergency Calls	11,291	10,741	11,067	11,527	12,009	11,642	11,374
Scheduled Calls	110	95	84	140	146	165	25
Total Calls	15,529	15,586	16,527	17,440	18,155	18,808	18,956

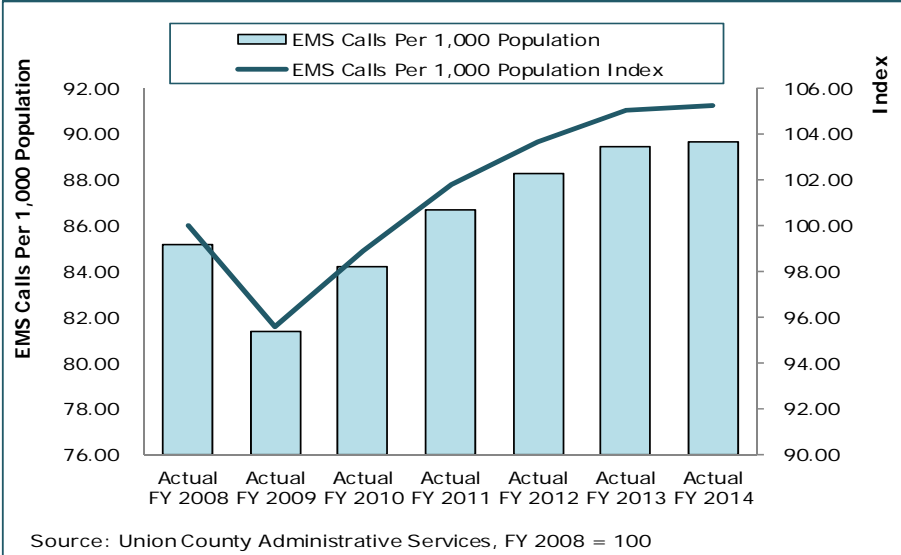
This indicator is adjusted to Per 1,000 population to properly weigh the impact of this demand in the context of the total demand for services.

Trends and Analysis

As indicated on the graph on the following page The EMS Calls Per 1,000 Population index is 105.23 in FY 2014, up just slightly over the 104.97 in FY 2013. Looking at the growth in the raw data, the system is growing at about 3.4 percent annually, while between FY 2013 and FY 2014 there has been limited growth.



EMS Calls Per 1,000 Population



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.

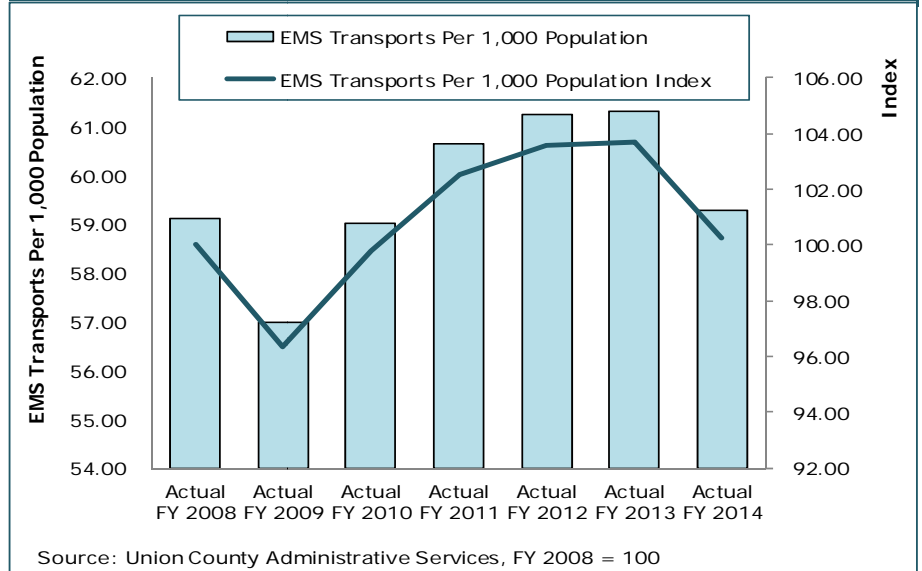
Transports are funded a number of different ways. The table below shows the number of transports by funding source.

Transport Type	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014
Private	3,455	3,714	3,758	1,971	2,767	2,888	2,736
Insurance	1,566	1,648	1,668	2,843	2,991	2,905	3,152
Medicare	4,807	4,656	5,123	5,678	5,200	5,524	5,114
Medicaid	954	893	1,037	1,713	1,639	1,583	1,538
Total Transports	10,782	10,911	11,586	12,205	12,597	12,900	12,540

Trends and Analysis

As the next graph indicates, the demand for transports has been relatively steady when analyzed against changes in population. In FY 2009 there was a drop of over four percent, however that reduction was short lived, with the FY 2014 index number of 100.26. Essentially, this index indicates that demand is relatively level.

EMS Transports Per 1,000 Population



If the raw data is considered without the adjustment for population, transports have increased at about 2.55 percent annually. This results in increase of about 293 transports annually, or less than one transport increase per day.

Indicator: Building Permits Per 10,000 Population

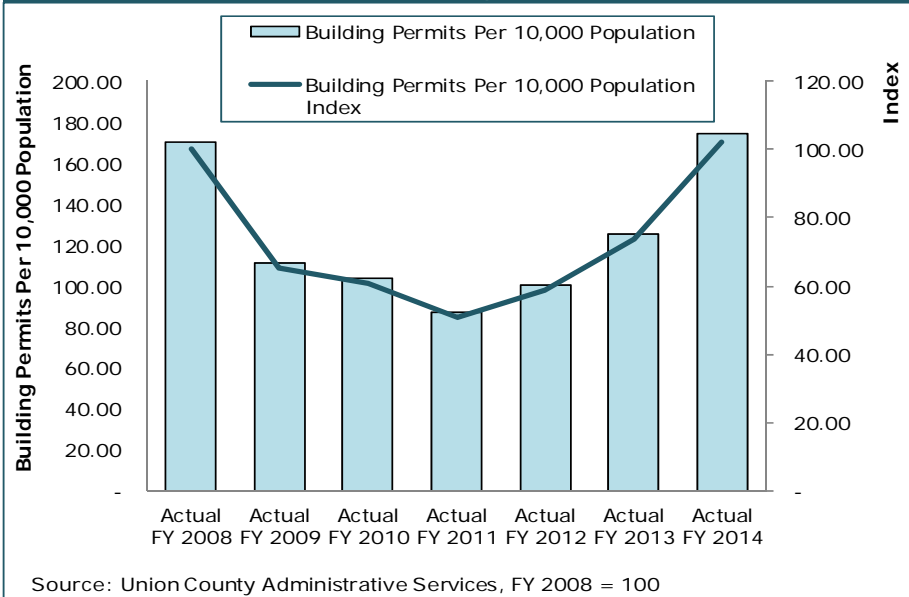
Building Permits Per 10,000 Population provides an indicator of the construction activity within the County during the fiscal year. While the permit itself has little impact on County services, what the building permit represents has a significant impact on County services. The building, whether commercial 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.



Trends and Analysis

Building Permits Per 10,000 Population



As the graph indicates, much like the economic indicators, the number of building permits reached its low in FY 2011. Since that time, the index is at 102.14, or 2.14 percent higher than activity in FY 2008.

Another trend to closely monitor is the percentage of permits that are issued for residential housing, of the total 3,685 issued in FY 2014, eighty-nine percent were issued for residential housing. Residential building carries the highest cost and impact from a County services perspective. The average value of these permits was \$320,781. This is a trend that indicates a greater need for monitoring and analysis.

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.

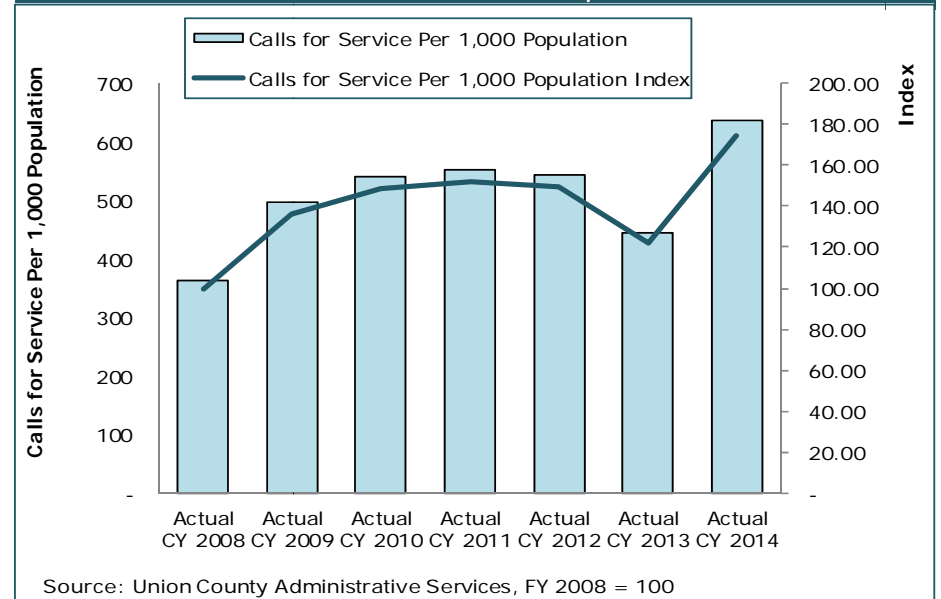
Sheriff Calls for Service are adjusted to per 1,000 population to more accurately reflect their impact on the demand for services and the impact on resources.

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

Trends and Analysis

Sheriff Calls for Service Per 1,000 Population index for CY 2014 is 174.83. This is a significant increase from CY 2008 and from CY 2013. In FY 2014, there were 134,545 calls for service, more than doubling the CY 2008 number.

Sheriff Calls for Service Per 1,000 Population



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

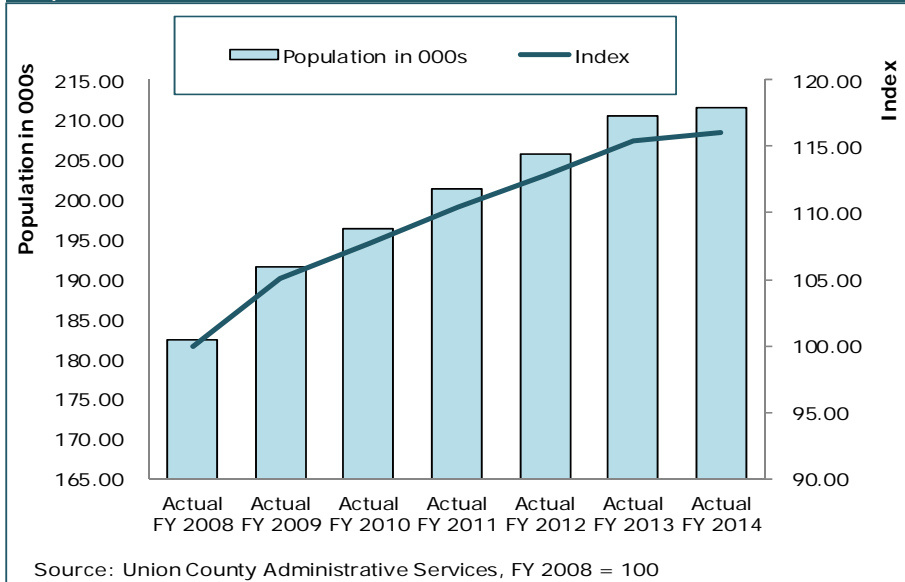


Indicator: Population in 000s

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.

Population in 000s



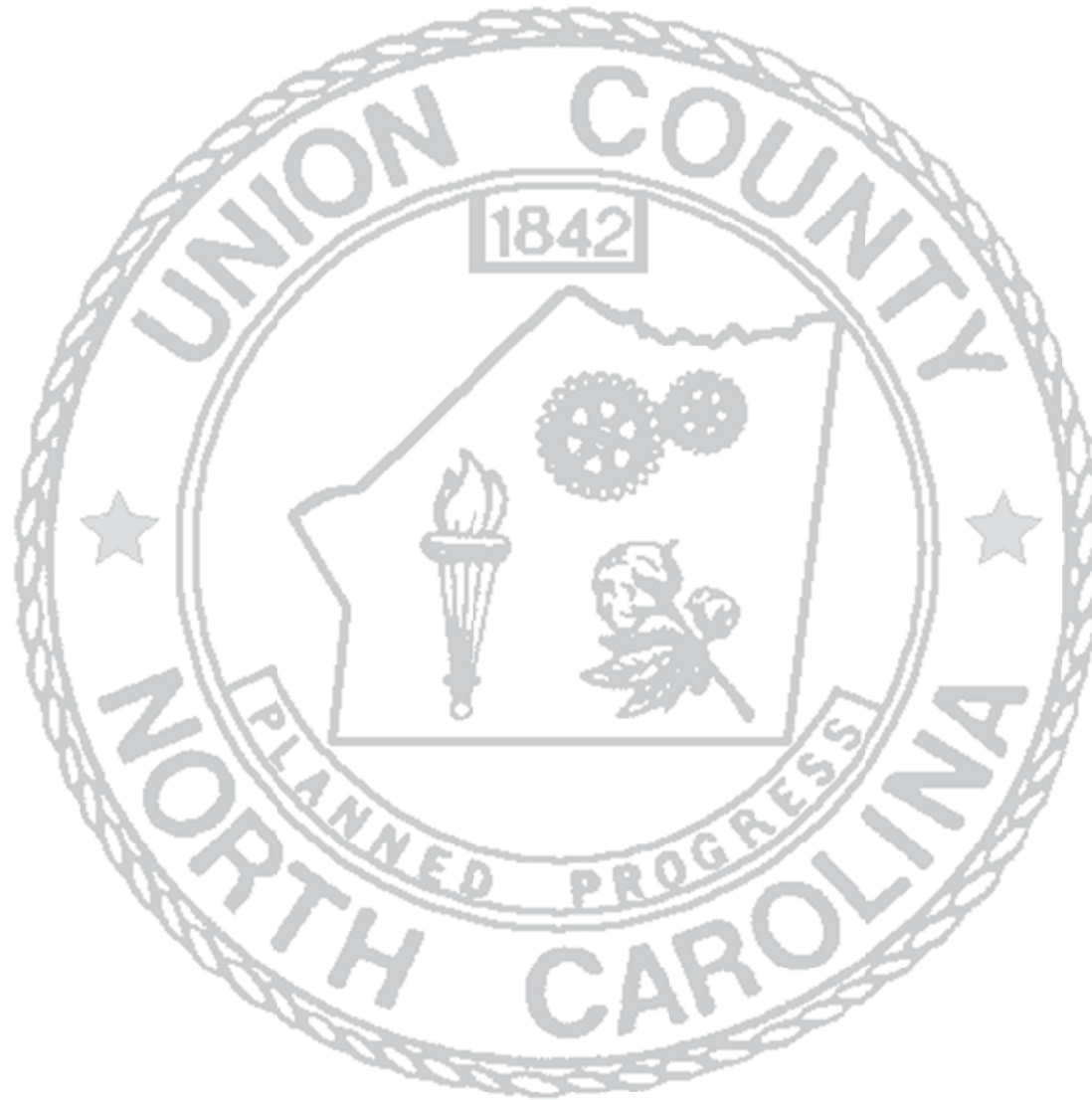
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Trends and Analysis

The Population in 000s index is 116.00, meaning that since FY 2008 the population has grown by sixteen percent. From FY 2008 to FY 2014, the population has grown by about 2.2 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.





Goals for Today

- Review the Five-Year Projections
- Discuss the Findings
- Discuss the Staff Recommendation for Budget Focus Areas
- Receive Direction for Budget Focus Areas



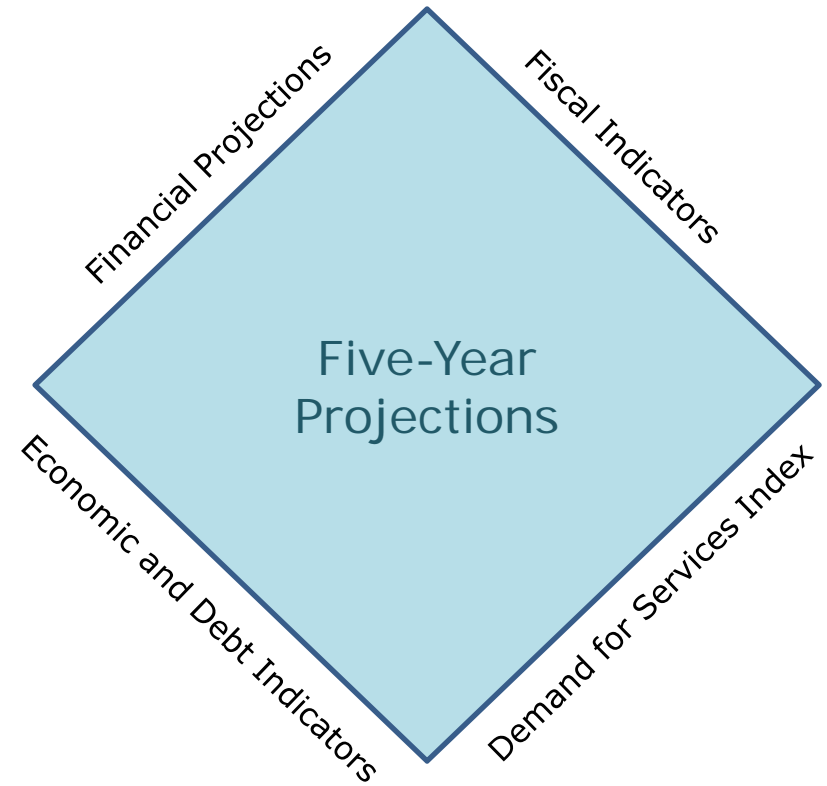
Five-Year Projections

- Overview
- Financial Projections
- Fiscal Indicators
- Economic and Debt Indicators
- Demand for Service Indicators
- Findings
- Budget Focus Area Recommendations



Overview

- Four Pronged Approach
- Financial Projections
- Fiscal Indicators
- Economic and Debt Indicators
- Demand for Services



A Comprehensive Approach to Financial Planning and
Service Delivery



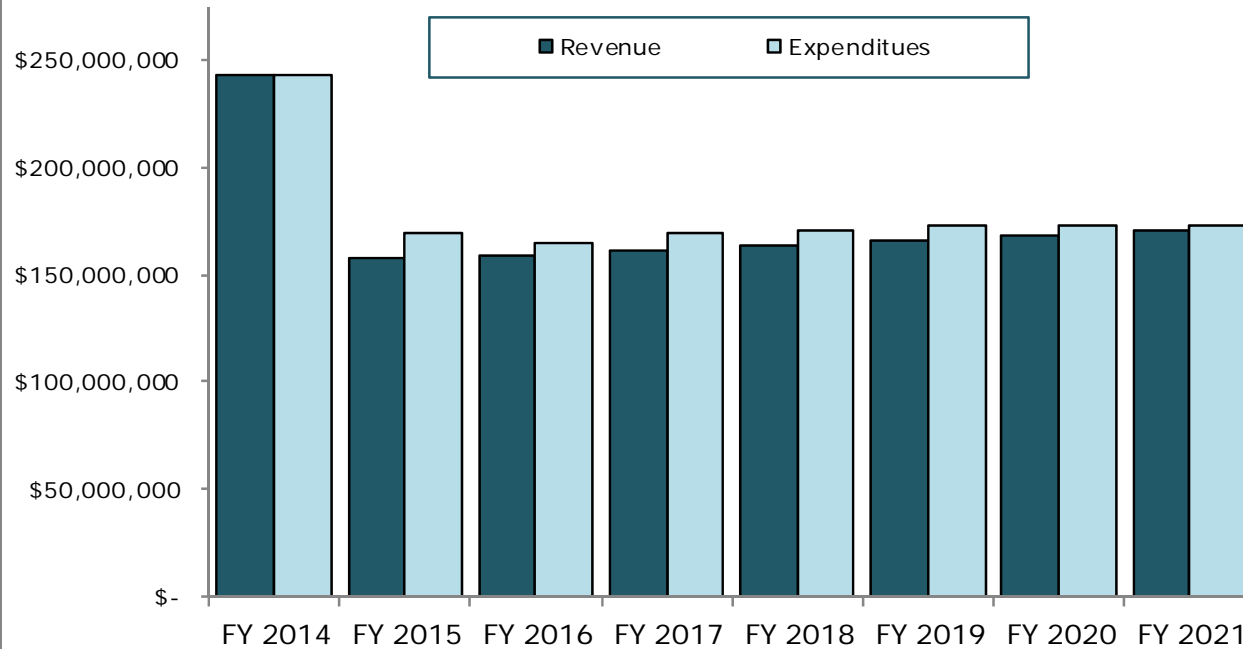
Financial Projections – General Fund

General Fund Financial Projection

	Actual FY 2014	Revised FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Sources								
Ad Valorem Taxes	\$ (165,029,950)	(76,391,825)	(76,655,728)	(77,575,878)	(78,508,177)	(79,452,810)	(80,409,964)	(81,379,831)
Local Option Sales Taxes	(29,449,465)	(30,093,981)	(30,996,800)	(31,926,704)	(32,884,506)	(33,871,041)	(34,887,172)	(35,933,787)
Other Taxes	(2,410,251)	(2,383,000)	(2,499,830)	(2,540,078)	(2,581,175)	(2,623,143)	(2,666,003)	(2,709,778)
Unrestricted Intergovernmental Revenue	(75,773)	(82,500)	(82,500)	(83,940)	(85,409)	(86,907)	(88,435)	(89,994)
Restricted Intergovernmental Revenue	(10,195,143)	(10,931,560)	(10,981,716)	(11,128,129)	(11,276,928)	(11,428,159)	(11,581,870)	(11,738,111)
Federal Grants	(14,965,362)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)	(12,500,360)
State Grants	(4,194,339)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)	(8,572,620)
Non-Enterprise Charges for Services	(9,428,436)	(9,537,161)	(9,749,666)	(9,944,659)	(10,143,552)	(10,346,423)	(10,553,352)	(10,764,419)
Debt Proceeds	(5)	-	-	-	-	-	-	-
Investment Income	(391,543)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Other Revenue	(7,075,905)	(6,901,931)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)	(6,634,140)
Interfund Transfers	(1,576)	-	-	-	-	-	-	-
Total Sources	\$ (243,217,748)	(157,894,938)	(159,173,360)	(161,406,508)	(163,686,866)	(166,015,602)	(168,393,916)	(170,823,039)
Uses								
Employee Compensation	\$ 36,290,619	39,065,402	40,825,925	42,571,946	43,846,938	45,160,179	46,512,818	47,906,036
Employee Benefits	20,176,147	22,434,260	24,286,947	25,833,118	27,350,729	28,978,166	30,723,234	32,594,403
Operating Costs	31,944,327	33,464,501	34,617,878	35,446,995	36,310,671	36,941,030	37,586,990	38,248,976
Capital Outlay	1,847,328	1,624,544	1,682,022	1,703,663	1,725,736	1,748,251	1,771,216	1,794,640
Contracts, Grants, and Subsidies	6,082,858	5,886,292	6,004,018	6,124,098	6,246,580	6,371,512	6,498,942	6,628,921
UCPS Current Expense Funding	82,260,408	-	-	-	-	-	-	-
Volunteer Fire Department Funding	546,868	1,535,396	2,035,396	2,535,396	2,662,166	2,795,274	2,935,038	3,081,790
EMS Contract	4,332,073	5,279,955	7,829,955	7,790,778	7,907,780	8,089,736	8,315,730	8,548,561
General Fund Related Debt Debt Service	2,103,957	3,472,402	3,403,180	3,324,247	3,252,402	4,240,233	2,948,092	2,077,476
UCPS Related Debt Service	43,283,124	44,922,925	43,666,549	43,444,618	42,162,664	39,813,153	37,017,169	32,986,697
Interdepartmental Charges	(6,034,481)	(1,602,626)	(1,634,679)	(1,667,372)	(1,700,720)	(1,734,734)	(1,769,429)	(1,804,817)
Interfund Transfers	17,943,931	11,934,600	2,410,667	1,746,381	1,242,783	459,908	477,788	496,460
Contingency	-	1,081,358	500,000	525,000	551,250	578,813	607,753	638,141
Total Uses	\$ 240,777,159	169,099,009	165,127,859	168,853,868	171,007,730	172,862,708	173,017,589	172,559,142
Sources (Over)/Under Uses	\$ (2,440,589)	11,204,071	5,954,499	7,447,360	7,320,864	6,847,106	4,623,673	1,736,103
General Fund Reserve Over/(Under) Policy \$	-	-	(6,020,270)	(14,979,536)	(23,527,266)	(31,572,011)	(37,085,060)	(39,620,884)
Over/(Under) %			3.61%	4.41%	4.28%	3.96%	2.67%	1.01%
Variance to Sensitivity % goal is +/- 3%			0.61%	1.41%	1.28%	0.96%	-0.33%	-1.99%



General Fund Revenue and Expenditures



Note: From FY 2014 to FY 2015, UCPS Current Expense Funding and Capital Funding were moved to the Schools Budgetary Fund.

General Fund Revenue and Expenditures

	Revenue	Expenditures	Revenue Over/Under Expenditures	Variance Sensitivity +/- 3%
FY 2014	\$ 243,217,748	240,777,159	2,440,589	
FY 2015	157,894,938	169,099,009	(11,204,071)	
FY 2016	159,173,360	165,127,859	(5,954,499)	3.61%
FY 2017	161,406,508	168,853,868	(7,447,360)	4.41%
FY 2018	163,686,866	171,007,730	(7,320,864)	4.28%
FY 2019	166,015,602	172,862,708	(6,847,106)	3.96%
FY 2020	168,393,916	173,017,589	(4,623,673)	2.67%
FY 2021	170,823,039	172,559,142	(1,736,103)	1.01%



Tax Revenues				
	Ad Valorem Taxes	Local Option Sales Tax	Other Taxes	Total
FY 2014	\$ 165,029,950	29,449,465	2,383,000	196,862,415
FY 2015	76,391,825	30,093,981	2,499,830	108,985,636
FY 2016	76,655,728	30,996,800	2,540,078	110,192,607
FY 2017	77,575,878	31,926,704	2,581,175	112,083,757
FY 2018	78,508,177	32,884,506	2,623,143	114,015,825
FY 2019	79,452,810	33,871,041	2,666,003	115,989,853
FY 2020	80,409,964	34,887,172	2,709,778	118,006,914
FY 2021	81,379,831	35,933,787	2,754,492	120,068,110

- Tax Revenue Comprises about 69 percent of General Fund Revenue.
- Ad Valorem Taxes make up about 70 percent of the tax revenue.
- It is anticipated that the total taxable value will decline following revaluation.

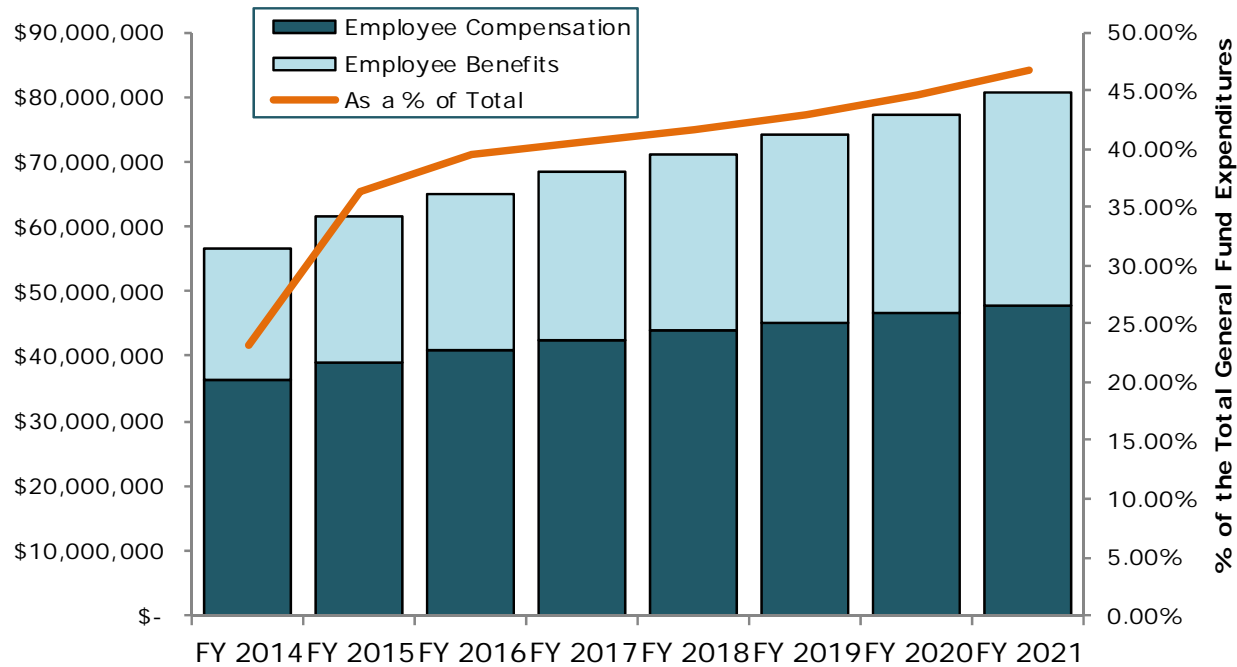


Employee Costs

	Employee Compensation	Employee Benefits	Total Employee Costs	As a % of Total
FY 2014	\$ 36,290,619	20,176,147	56,466,766	23.26%
FY 2015	39,065,402	22,434,260	61,499,662	36.37%
FY 2016	40,825,925	24,286,947	65,112,872	39.43%
FY 2017	42,571,946	25,833,118	68,405,065	40.51%
FY 2018	43,846,938	27,350,729	71,197,667	41.63%
FY 2019	45,160,179	28,978,166	74,138,345	42.89%
FY 2020	46,512,818	30,723,234	77,236,052	44.64%
FY 2021	47,906,036	32,594,403	80,500,439	46.65%

- Employee Compensation is anticipated to grow by 3.46 percent.
- Employee Benefits are expected to grow by 6.42 percent.
- Total employee costs are projected to grow by 4.59 percent.

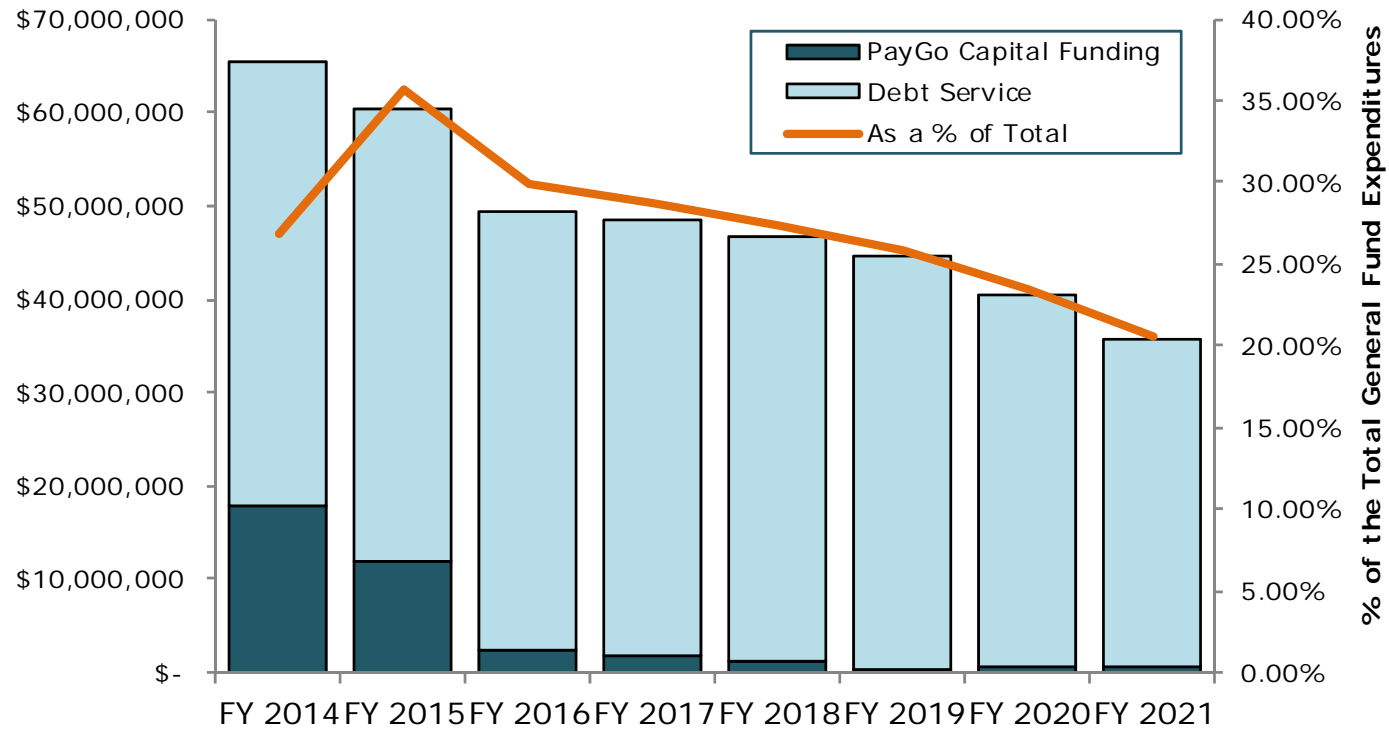
Employee Costs



Note: From FY 2014 to FY 2015, UCPS Current Expense Funding and Capital Funding were moved to the Schools Budgetary Fund.



Capital Funding



Note: From FY 2014 to FY 2015, UCPS Current Expense Funding and Capital Funding were moved to the Schools Budgetary Fund.

Capital Funding				
	PayGo Capital Funding	Debt Service	Total Capital Effort	As a % of Total
FY 2014	\$ 17,943,931	47,348,878	65,292,809	26.90%
FY 2015	11,934,600	48,400,730	60,335,330	35.68%
FY 2016	2,410,667	47,069,729	49,480,396	29.96%
FY 2017	1,746,381	46,768,865	48,515,246	28.73%
FY 2018	1,242,783	45,415,066	46,657,850	27.28%
FY 2019	459,908	44,053,386	44,513,294	25.75%
FY 2020	477,788	39,965,262	40,443,050	23.38%
FY 2021	496,460	35,064,173	35,560,633	20.61%

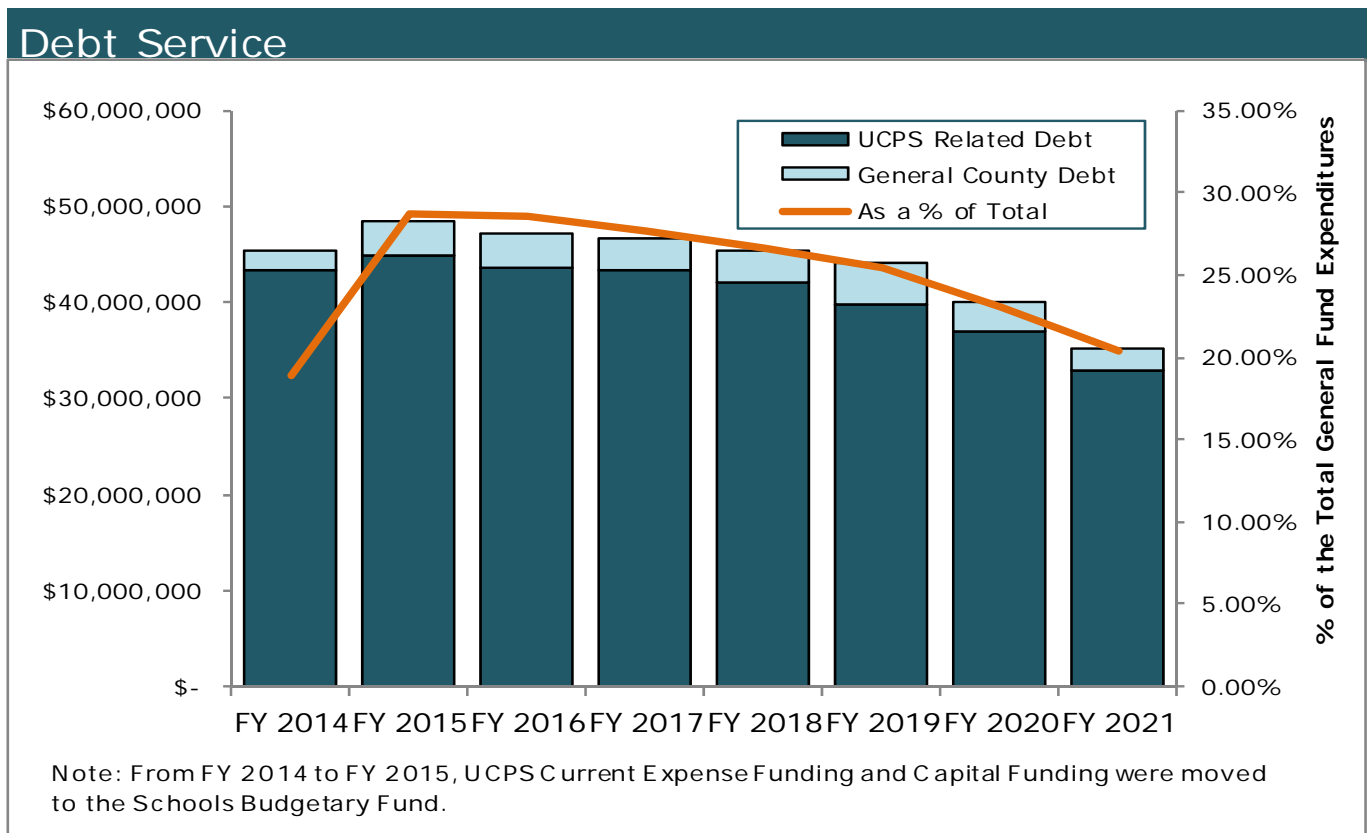


Key Drivers				
	EMS Funding	VFD Funding	Total	Annual Growth
FY 2014	\$ 4,332,073	546,868	4,878,941	
FY 2015	5,279,955	1,535,396	6,815,351	1,936,410
FY 2016	7,829,955	2,035,396	9,865,351	3,050,000
FY 2017	7,790,778	2,535,396	10,326,174	460,823
FY 2018	7,907,780	2,662,166	10,569,946	243,772
FY 2019	8,089,736	2,795,274	10,885,010	315,064
FY 2020	8,315,730	2,935,038	11,250,768	365,757
FY 2021	8,548,561	3,081,790	11,630,350	379,583

- In FY 2015 VFD and EMS funding grew by 39.69 percent from FY 2014.
- EMS funding anticipated to grow by 48.3 percent in FY 2016.
- VFD funding anticipated to grow by 32.6 percent in FY 2016.



Debt					
	UCPS Related Debt	General County Debt	Total Debt Service	As a % of Total	
FY 2014	\$ 43,283,124	2,103,957	45,387,081	18.85%	
FY 2015	44,922,925	3,472,402	48,395,327	28.62%	
FY 2016	43,666,549	3,403,180	47,069,729	28.51%	
FY 2017	43,444,618	3,324,247	46,768,865	27.70%	
FY 2018	42,162,664	3,252,402	45,415,066	26.56%	
FY 2019	39,813,153	4,240,233	44,053,386	25.48%	
FY 2020	37,017,169	2,948,092	39,965,262	23.10%	
FY 2021	32,986,697	2,077,476	35,064,173	20.32%	



BOCC Reserve Policy is 20 percent of total expenditures for the General Fund and the Schools Budgetary Fund.

General Fund Fund Balance as of 12/31/14

General Fund Balance as of June 30, 2014	\$	80,147,839
Less: Non-Spendable Fund Balance		(204,937)
Less: Restricted Fund Balance		(14,979,838)
Less: Committed Fund Balance		(31,916,595)
Less: Assigned Fund Balance		(31,743,278)
Total Unassigned Fund Balance Available for Appropriation	\$	1,303,191



UCPS Funding Analysis

	Revised FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Sources							
Schools Ad Valorem Tax	\$ (100,800,714)	(100,800,714)	(101,909,522)	(103,030,527)	(104,163,862)	(105,309,665)	(106,468,071)
Schools Ad Valorem Tax - Auto	(7,575,750)	(7,954,538)	(8,153,401)	(8,357,236)	(8,566,167)	(8,780,321)	(8,999,829)
Total Sources	\$ (108,376,464)	(108,755,252)	(110,062,923)	(111,387,763)	(112,730,029)	(114,089,986)	(115,467,900)
Uses							
Current Expense Funding	\$ 87,097,884	89,890,367	93,485,982	97,225,421	101,114,438	105,159,015	109,365,376
Capital Funding	19,531,582	19,786,024	20,023,931	20,264,961	20,509,162	20,756,581	21,007,267
Total Uses	\$ 106,629,466	109,676,391	113,509,913	117,490,382	121,623,600	125,915,596	130,372,643
Sources (Over)/Under Uses	\$ (1,746,998)	921,140	3,446,990	6,102,620	8,893,570	11,825,611	14,904,743
Schools Budgetary Fund Balance	\$ 1,746,998	825,858	(2,621,131)	(8,723,751)	(17,617,321)	(29,442,932)	(44,347,675)
Growth Estimates for Current Exp.							
Estimated Growth of ADM		2.41%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Annual CPI		0.80%	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Total Growth		3.21%	4.00%	4.00%	4.00%	4.00%	4.00%
Estimated Growth of ADM							
2014 Final ADM - UCPS CAFR	41,020	42,007	42,847	43,704	44,578	45,470	46,379
2015 ADM - 20 Day Report (Sept)	42,007	42,847	43,704	44,578	45,470	46,379	47,307
Percentage Growth	2.41%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CPI-U, US City Average NSA - Dec AI	0.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
http://www.bls.gov/cpi/home.htm							
CPI Detailed Report Change Over 12 mo.							
Sensitivity to Variance	-1.64%	0.84%	3.04%	5.19%	7.31%	9.39%	11.43%

Note: Capital Funding grows in conjunction with the growth in the Ad Valorem Tax Base

Assuming current legislation remained in place for the period. To maintain the level of projected funding for UCPS, tax rate increases, beyond the revenue neutral rate will be necessary in the future.



UCPS Funding			
	Current Expense	Capital PayGo	Total
FY 2015	\$ 87,097,884	19,531,582	106,629,466
FY 2016	89,890,367	19,786,024	109,676,391
FY 2017	93,485,982	20,023,931	113,509,913
FY 2018	97,225,421	20,264,961	117,490,382
FY 2019	101,114,438	20,509,162	121,623,600
FY 2020	105,159,015	20,756,581	125,915,596
FY 2021	109,365,376	21,007,267	130,372,643

- Assuming current legislation remains in place for the period.
- Current Expense is expected to grow, on average by 3.87 percent during the projection period.
- Capital PayGo funding is anticipated to grow, on average by 1.22 percent during the projection period.



Financial Projection Conclusions

- General Fund Deficits included in the projection are not structural in nature and are near acceptable variance levels.
- Moderate Growth in both expenditures and revenue.
- VFD and EMS funding are primary drivers in early years.
- Employee Costs will continue to grow as a percentage of total expenditures.
- Annual Debt Service is reducing annually and has an extremely positive trend in the projection period.
- UCPS Funding will outpace the growth of the Schools Tax Rate.




To maintain the level of projected funding for UCPS, tax rate increases, beyond the revenue neutral rate will be necessary in the future.



Fiscal Indicators

Indicator	Trend	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Revenue Per Capita		\$ 467.38	489.91	470.61	447.95	572.53	429.93	427.69
Property Tax Revenues in Constant \$ in 000s		\$ 60,088	75,715	76,576	75,354	74,844	74,349	75,455
Total Expenses Per Capita		\$ 887.59	809.51	635.72	576.48	552.53	535.20	524.54
Full-Time Equivalents Per 1,000 Population		5.74	5.12	5.06	4.86	4.70	4.78	4.70
Water and Sewer Fund Operating Position in Constant \$ in 000s		\$ 11,581	11,474	12,176	12,470	12,162	12,280	13,300
Benefits as a % of Salaries and Wages		40.83%	43.06%	45.67%	54.92%	61.32%	57.49%	58.52%
Liquidity Ratio		2.59	2.95	2.98	2.64	3.50	3.21	3.28
Long Term Debt as a % of Assessed Value		2.47%	2.12%	1.97%	1.85%	1.73%	1.62%	1.45%
Population		182,360	191,514	196,322	201,292	205,717	210,410	211,539
Population Under 18 and Over 64 as a % of Total Population		41.50%	40.94%	41.04%	40.41%	39.83%	39.33%	39.59%
Public Assistance Recipients Per 1,000 Population		169.07	181.90	192.57	199.57	178.14	184.14	216.21
Top Ten Taxpayers as a % of Assessed Valuation		3.60%	3.38%	3.54%	3.97%	3.48%	3.44%	3.22%
Local Unemployment Rate		5.50%	11.00%	10.10%	9.60%	8.60%	8.00%	6.20%
Gross Retail Sales in 000s		\$ 1,200,307	1,162,891	1,076,852	1,122,433	1,197,951	1,321,781	1,460,830

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




	Positive Trend
	Neutral to be Monitored
	Negative Trend

- Revenue Growth is Fragile
- Expenditure Growth has been Well Managed
- Benefits Cost Indicators are Negative
- Fiscal Health is Strong Overall



Economic and Debt Indicators

Indicator	Trend	2008	2009	2010	2011	2012	2013	2014
Consumer Price Index - South (CY)		208.68	207.84	211.34	218.62	223.24	226.72	230.83
Case Shiller Index - Charlotte (CY)		130.38	119.65	115.55	111.40	113.28	121.85	126.43
Consumer Sentiment Index - South Region (CY)		67.05	66.27	70.58	67.14	75.25	76.64	79.76
Quick Ratio (FY)		94.16%	142.42%	146.33%	145.66%	252.65%	216.84%	226.11%
Leverage Ratio (FY)		231.91%	263.66%	265.03%	259.71%	181.72%	189.64%	165.64%
Debt Ratio (FY)		3.41%	2.60%	2.41%	2.27%	2.13%	2.00%	1.79%
Debt Service Burden (FY)		20.00%	22.52%	23.51%	22.77%	22.51%	22.21%	19.47%
Debt Per Capita (FY)		3,282.04	3,025.62	2,817.13	2,610.45	2,421.36	2,247.34	2,085.48

	Positive Trend
	Neutral to be Monitored
	Negative Trend

- Overall the Economic and Debt Indicators are showing positive trends.
- Inflation continues to be a significant concern.
- The County's debt burden continues to decline.

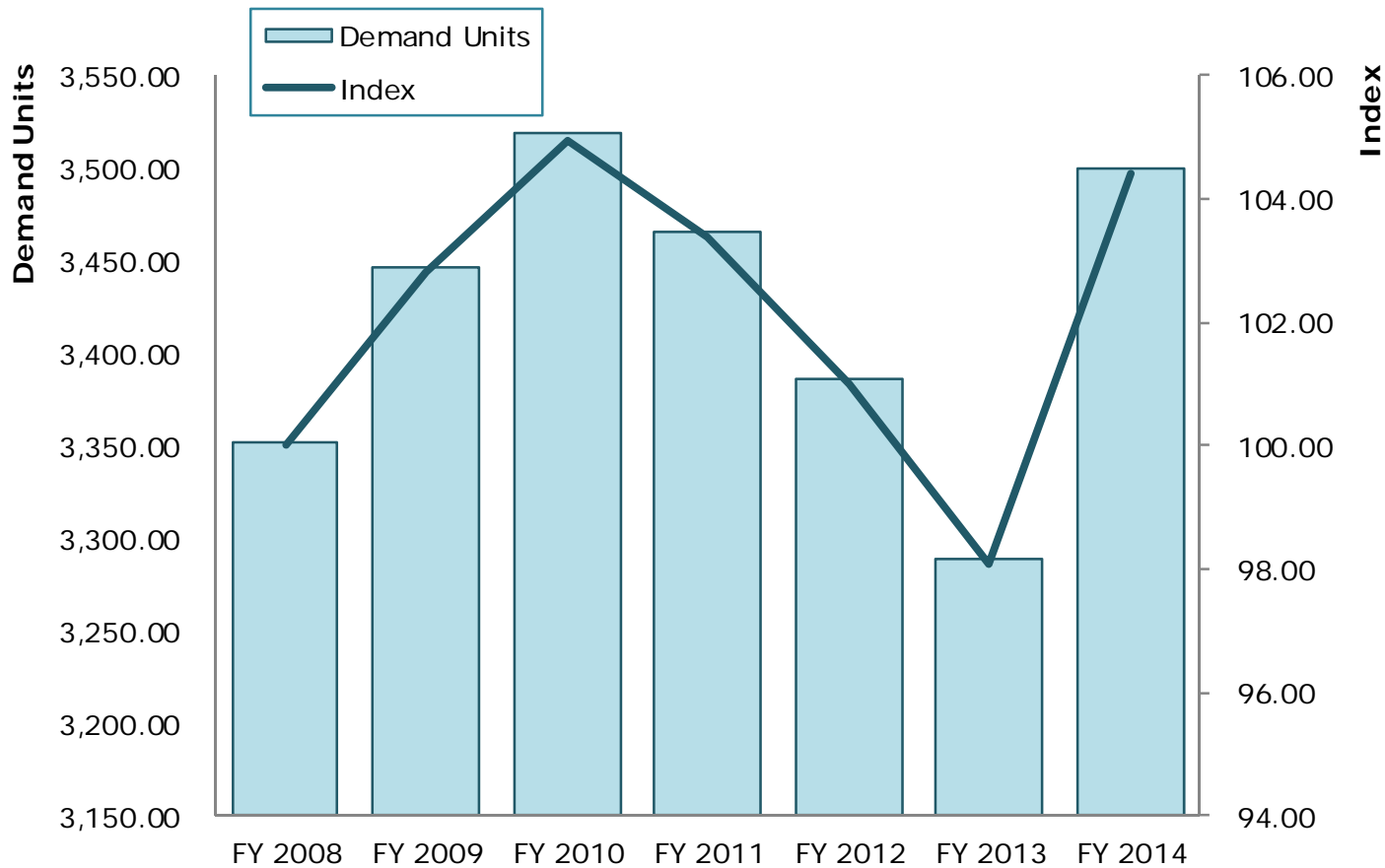


Demand for Service Index							
Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Library Visits - Physical and Virtual Per Capita	53.01	51.61	59.74	85.44	61.00	59.59	55.17
Index	100.00	97.35	112.69	161.16	115.07	112.40	104.07
Average Daily Membership Per 10,000 Population	2,034.99	2,013.12	2,005.18	1,982.20	1,927.60	1,912.84	1,939.12
Index	100.00	98.93	98.54	97.41	94.72	94.00	95.29
Social Services Client Visits Per 1,000 Population	243.73	276.50	280.67	281.19	281.87	272.57	235.05
Index	100.00	113.45	115.16	115.37	115.65	111.83	96.44
Health Department Client Visits Per 1,000 Population	159.17	165.76	187.74	128.70	116.03	112.40	98.92
Index	100.00	104.14	117.95	80.86	72.90	70.62	62.15
Water and Sewer Accounts Per Capita	0.3650	0.3540	0.3507	0.3476	0.3482	0.3515	0.3625
Index	100.00	96.99	96.08	95.25	95.41	96.30	99.32
Billed Daily Water Consumption in 000s Gal/Per Capita	0.0543	0.0455	0.0487	0.0502	0.0474	0.0451	0.0466
Index	100.00	83.84	89.63	92.34	87.26	83.12	85.83
EMS Calls Per 1,000 Population	85.16	81.38	84.18	86.64	88.25	89.39	89.61
Index	100.00	95.57	98.86	101.74	103.64	104.97	105.23
EMS Transports Per 1,000 Population	59.12	56.97	59.02	60.63	61.23	61.31	59.28
Index	100.00	96.36	99.81	102.55	103.57	103.69	100.26
Building Permits per 10,000 Population	170.54	111.43	103.76	86.79	100.19	125.47	174.20
Index	100.00	65.34	60.84	50.89	58.75	73.57	102.14
Sheriff Calls for Service per 1,000 Population	363.80	496.95	541.10	551.63	543.78	443.83	636.03
Index	100.00	136.60	148.73	151.63	149.47	122.00	174.83
Population in 000s	182.36	191.51	196.32	201.29	205.72	210.41	211.54
Index	100.00	105.02	107.66	110.38	112.81	115.38	116.00
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Index	100.00	102.78	104.95	103.36	101.01	98.09	104.39

Demand for Services Index has been revised for FY 2016.



Demand for Service Index



Source: Union County Administrative Services, FY 2008 = 100

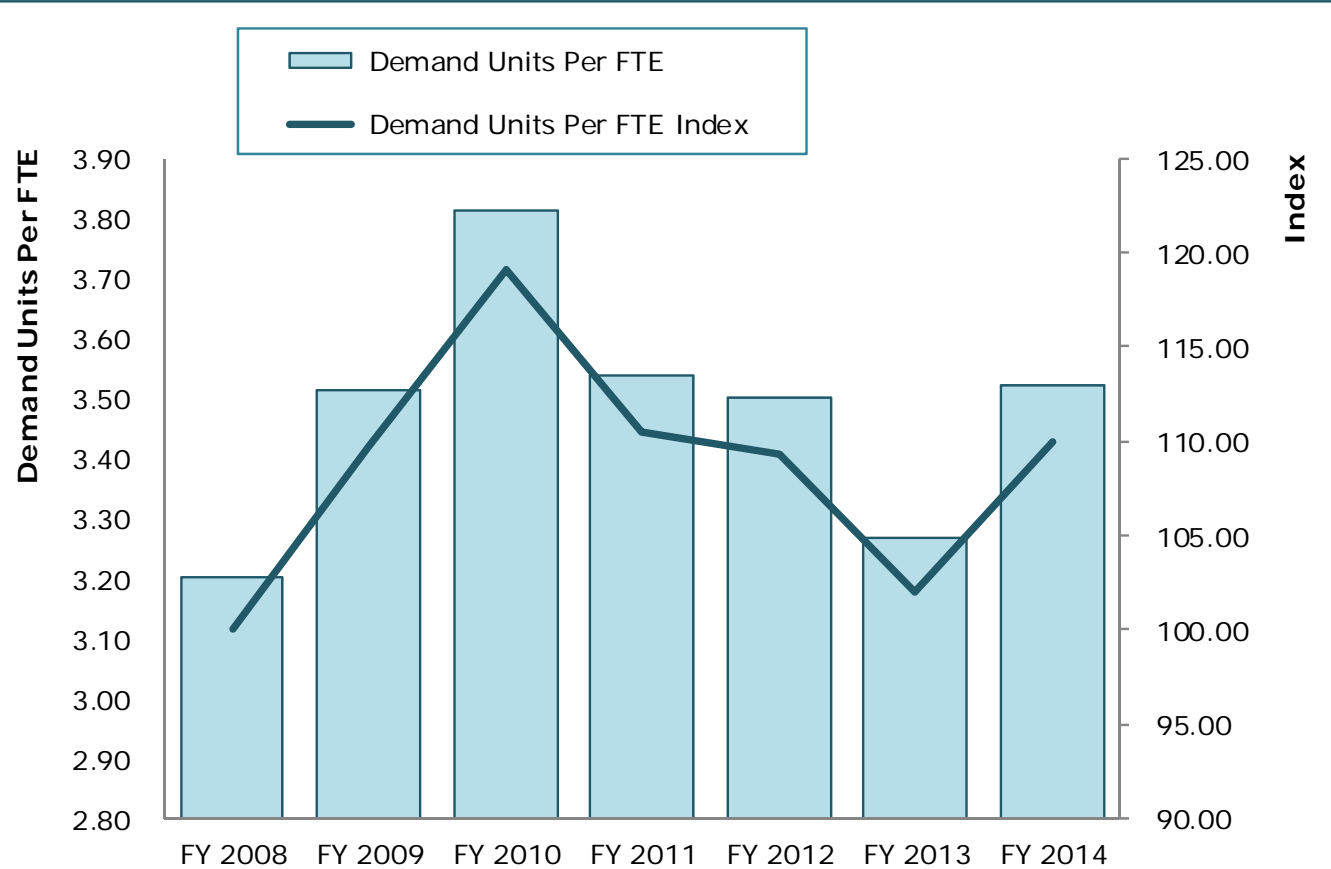
- Demand for Services is up by 4.39 percent from FY 2008.
- Trends mirror the Economic Recovery.



Full-Time Equivalent Index

Indicator	Demand Units						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
FTE	1,046.90	981.10	922.70	979.20	967.00	1,006.10	993.36
FTE Index	100.00	93.71	88.14	93.53	92.37	96.10	94.89
Demand Units	3,352.30	3,445.62	3,518.10	3,464.90	3,386.07	3,288.19	3,499.33
Demand Units Per FTE	3.20	3.51	3.81	3.54	3.50	3.27	3.52
Demand Units Per FTE Index	100.00	109.68	119.07	110.51	109.35	102.07	110.01

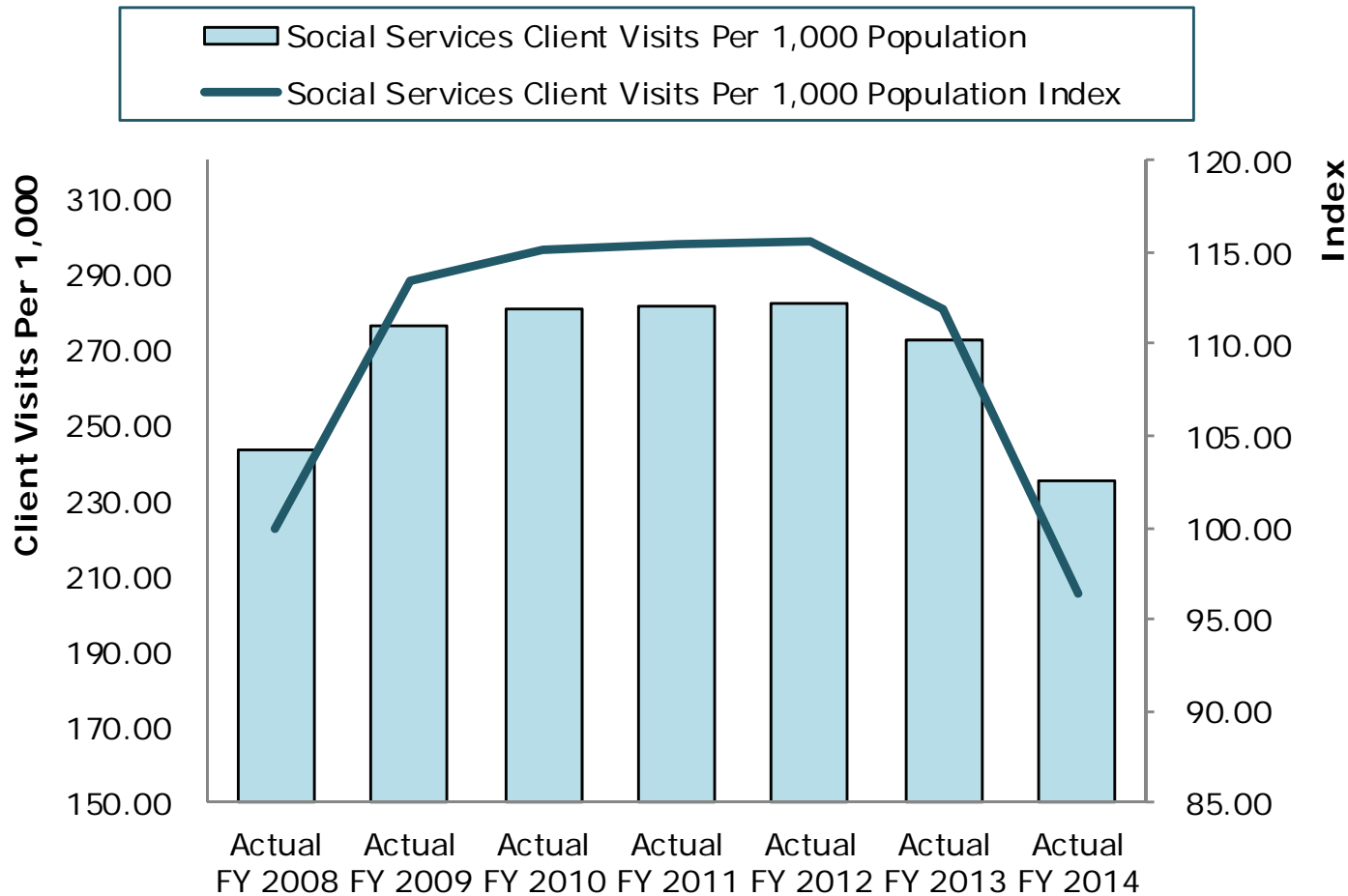
Demand Per FTE Index



Source: Union County Administrative Services, FY 2008 = 100



Social Service Client Visits Per 1,000 Population

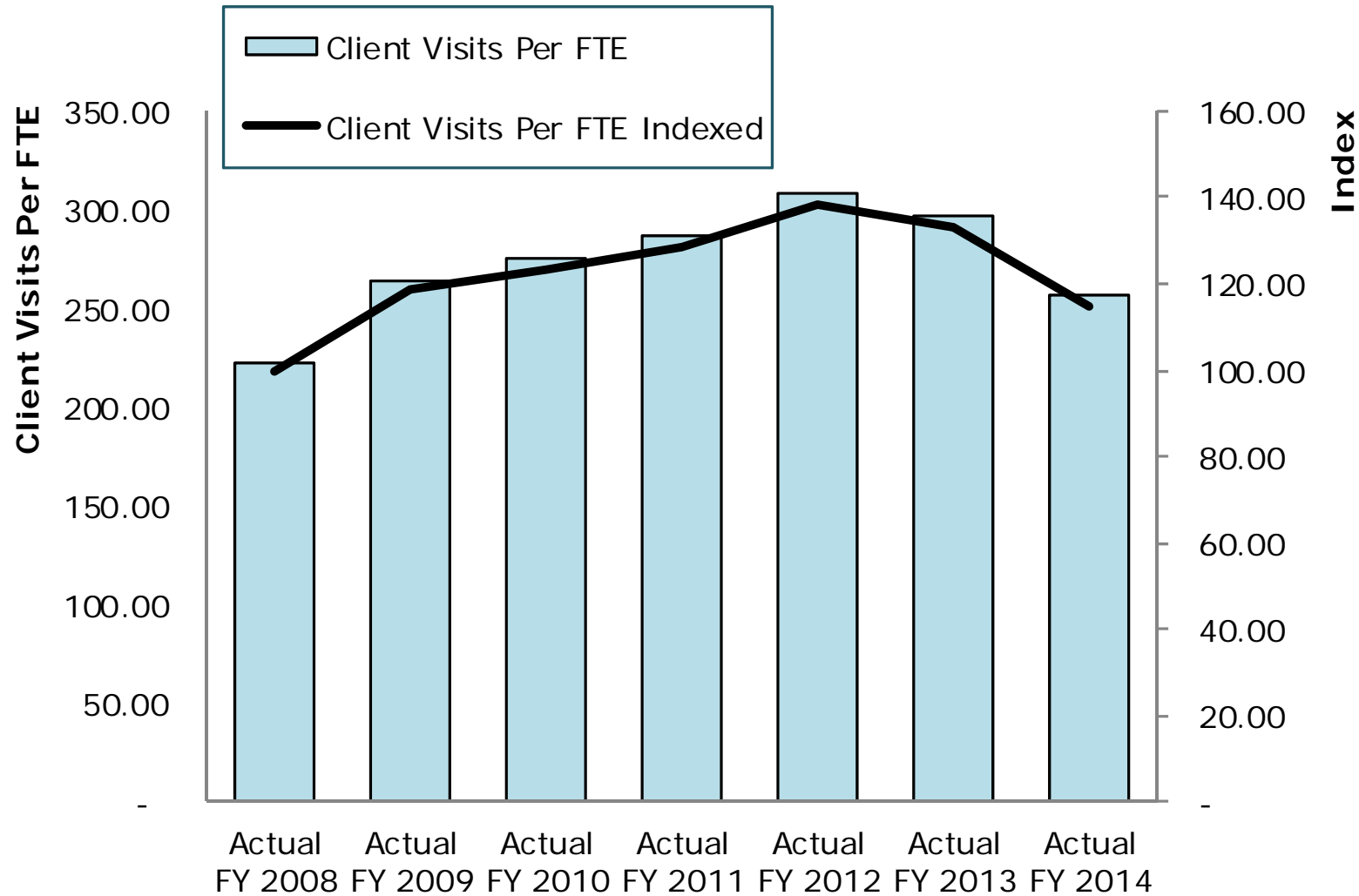


Source: Union County Administrative Services, FY 2008 = 100

- Demand for Services on a per 1,000 population basis is down by 3.5 percent since FY 2008.
- Client Visits are up a total of 11.9 percent since FY 2008.



Client Visits Per FTE

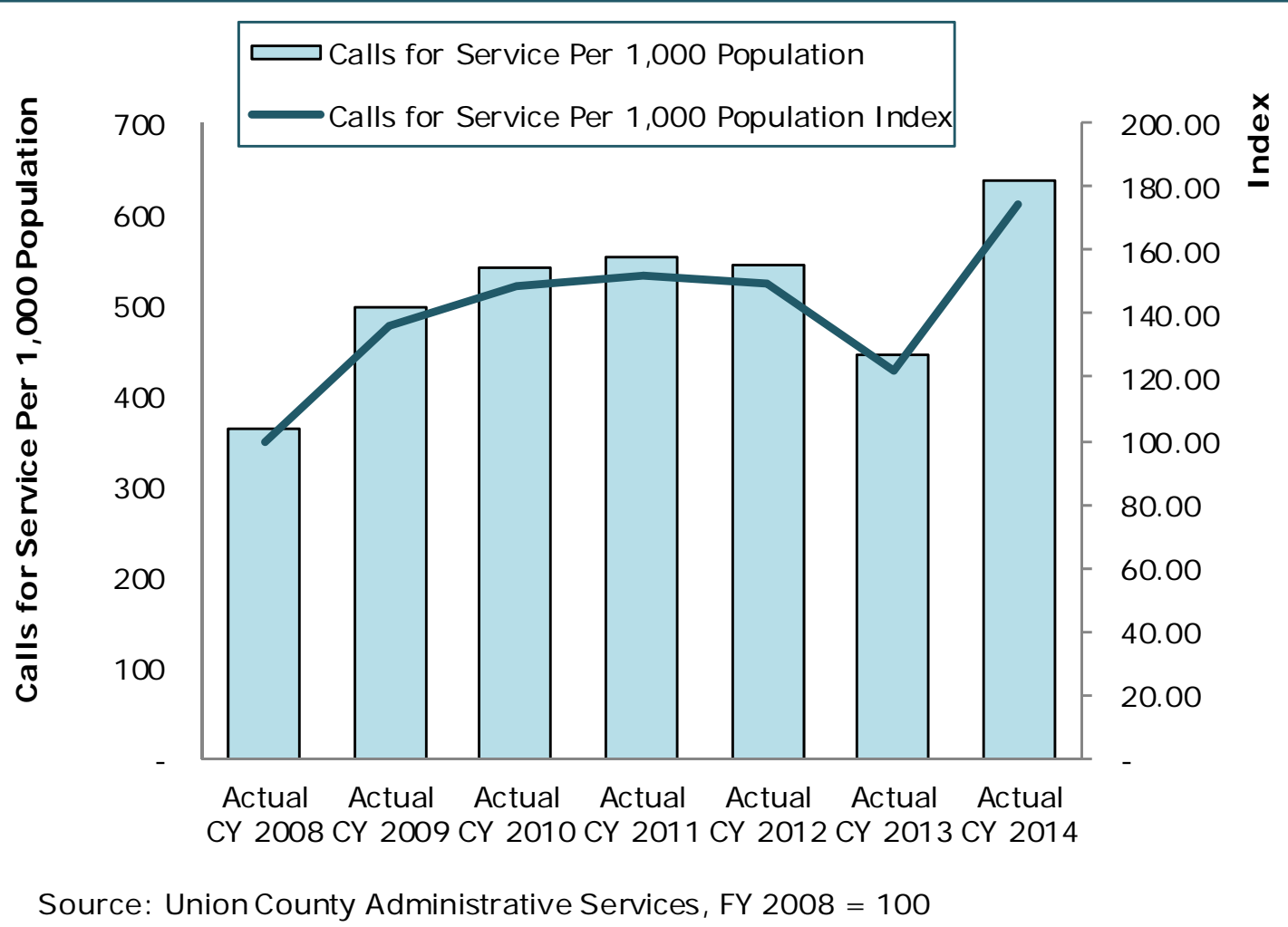


Source: Union County Administrative Services, FY 2008 = 100

Client Visits per FTE are up by 15 percent since FY 2008.



Sheriff Calls for Service Per 1,000 Population



- Calls Per 1,000 Population are up 74.83 percent since FY 2008.
- Unadjusted, calls are up by 102.8 percent from FY 2008, while SO FTE are up by 17.7 percent during the same time.



Demand for Services Index Conclusions

- Demand for Services index is 104.39
- Given the index number, the County is providing 4.4 percent more services than in FY 2008 with 53.54 fewer FTE.
- Staffing Levels Continue to be a Stress Area



Findings

- Cost Drivers in the General Fund will need to be monitored, specifically relating the VFD and EMS funding.
- UCPS Funding will be a challenge, given revaluation and the Schools Tax Rate.
- Demand per FTE continues to be a concern, specifically in higher risk areas.
- Service delivery may need to change to maintain the balance between service need and service affordability.
- Growth is anticipated to be manageable, however the changing service demographics of the County will have a significant impact.



Recommended Budget Focus Areas

- Revaluation and the Revenue Neutral Tax Rate
 - Schools Tax Rate
- Sustainable Funding Models for the Volunteer Fire Departments
- Bond Elections and Economic Development Tools

Anticipate following the same budget process as in FY 2015.



Read the full report at
www.unioncountync.gov

