

FY 2022 Mid-Year Revenue and Expense Projection & Long Range Budget Projection

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Director of Management & Budget

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UNIONCOUNTY
north carolina

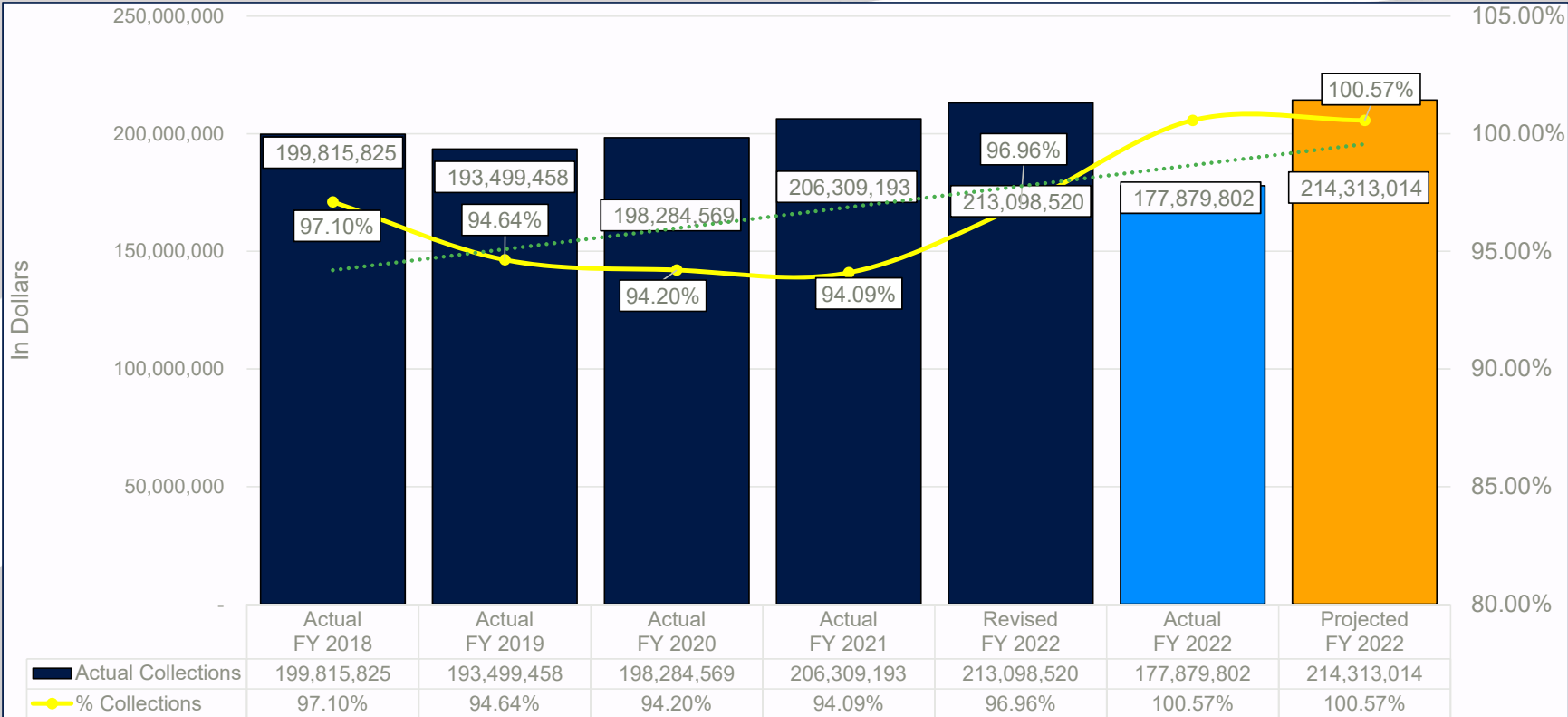
Union County FY 2022 General Fund Year End Projection

(Through Dec 31 2021)

Category	Actual FY 2019	Actual FY 2020	Actual FY 2021	Revised FY 2022	Actual FY 2022	YE Proj. FY 2022	%
Revenues							
Ad Valorem Taxes and Fees	193,499,458	198,284,569	206,309,193	213,098,520	177,879,802	214,313,014	100.6%
Local Option Sales Tax	45,818,820	48,720,847	56,259,871	53,540,363	15,779,488	59,545,238	111.2%
Other Taxes	3,182,688	3,207,810	4,049,677	3,604,002	3,041,806	3,802,258	105.5%
Intergovernmental Revenue, Unrestrict	12,784,541	13,715,528	15,398,472	15,543,382	2,979,993	16,284,115	104.8%
Intergovernmental Revenue, Restrict.	3,636,631	3,708,732	3,687,041	3,957,838	314,866	3,704,306	93.6%
Intergovernmental Revenue, Federal	15,729,414	15,919,507	17,664,168	18,048,177	5,185,035	16,725,919	92.7%
Intergovernmental Revenue, State	2,445,498	2,889,077	3,619,157	3,853,828	1,683,005	3,580,862	92.9%
Non-Enterprise Charges for Services	11,229,259	11,574,281	11,545,099	12,277,989	8,058,348	13,658,217	111.2%
Investment Revenue	3,544,290	3,591,923	(7,909)	1,276,020	(662,856)	500,000	39.2%
Interfund Transfers	6,993,613	15,838,660	606,847	-	1,475,557	1,475,557	100.0%
Other Revenue	6,904,316	7,681,055	7,604,115	8,502,108	1,513,371	8,110,877	95.4%
Fund Balance Appropriated	-	-	-	27,071,524	-	-	0.0%
Debt Proceeds - Restricted	-	25,425,683	48,324	-	-	-	-
Total	\$ 305,768,528	\$ 350,557,672	\$ 326,784,055	\$ 360,773,751	\$ 217,248,415	341,700,362	94.7%

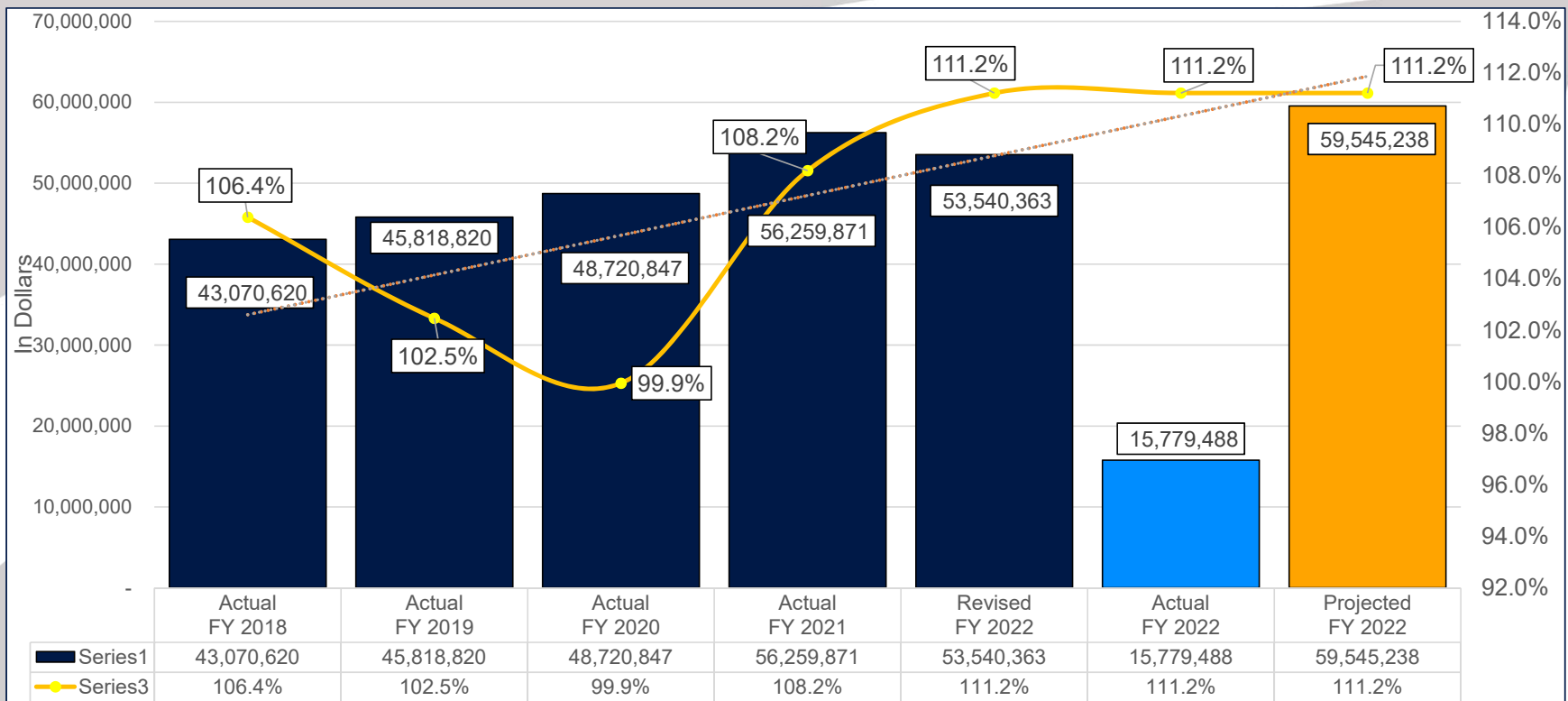
- *Ad Valorem collections* trending to 100.6%, collection rate higher than projected (99.5%), vehicle inflation driving auto values
- *Sales Tax* trending **significantly higher than Record FY 2021 actuals**, (\$6M - \$7M above budget)
- *Other Taxes* - Register of Deeds Real Property Transfer projected to exceed budget by \$200k (5.5%)
- *Intergovernmental revenue close to* budget (Trending at 97.3% collections as a group)
- *Non-Enterprise Charges for services* significantly above budget for Public Health, Building Code, Register of Deeds and Parks.
- *Investment Revenue* uncertain due to economic conditions, conservative expected collection of \$500k
- *Other Revenue*, \$6.3M is hospital lease income (Atrium), Ag Center rental fees and donations nearly double FY 2021 levels (\$93k)
- *Fund Balance Appropriated* \$2.4M to Bus. Grants, \$8.5M to Debt, \$3.9M to Budget Roll, \$10.8M in PayGo and \$3.0M to OPEB

Ad Valorem Revenue



- Current Ad Valorem Collections are slightly ahead of previous year through December 31st
- Collections through December 31st represent 83.0% of projected actuals, as compared with 80.3% in FY 2021
- 2nd Quarter End of Year projection indicates 100.6% annual collection of Ad Valorem revenue budget
- Actual collection rate is higher than conservatively budgeted (99.5%)
- Vehicle Ad Valorem revenue is driving collections, vehicle inflation driving higher values and tax payments

Sales Tax



- FY 2022 budget is currently trending 4.5% above FY 2021 record collections
- FY 2022 includes proceeds from online sales and market shifts to more online purchases
- FY 2022 collections ahead of budget and prior year collections (29.5% compared to 25.1%),
- Mid-year projection indicates 111.2% annual collection of Local Option Sales Tax revenue budget (\$6M - \$7M)
- FY 2021 actuals exceeded the FY 2022 budget by \$2.7M, consumer spending and consumption still rising in spite of inflation
- Historic inflation is influencing collections, as price of goods sold increases, sales tax collected increases at the same rate (7.3%)

General Fund Expense

Union County FY 2021 General Fund Year End Projection *(Through March 31 2021)*

Category	Actual FY 2018	Actual FY 2019	Actual FY 2020	Revised FY 2021	Actual FY 2021	YE Proj. FY 2021	%
Expenditures							
Employee Compensation	51,406,454	57,012,089	60,998,203	69,398,757	30,171,209	66,320,889	95.6%
Employee Benefits	32,498,995	34,725,669	32,614,278	39,675,262	18,806,777	39,180,785	98.8%
Operating Cost	28,956,029	28,186,892	27,373,219	33,661,536	12,141,612	31,934,211	94.9%
Capital Outlay	2,304,406	2,345,843	3,925,521	6,962,649	1,231,524	6,578,697	94.5%
Contracts, Grants, and Subsidies	117,475,297	123,029,634	128,656,202	130,732,600	63,272,936	130,400,341	99.7%
Debt Service	57,195,352	57,460,665	50,024,595	49,367,615	23,583,375	49,367,615	100.0%
Interdepartmental Charges	(2,298,165)	(2,760,121)	(4,168,802)	(3,916,082)	(1,916,173)	(3,916,082)	100.0%
Interfund Transfers, Out	21,733,439	31,884,538	23,847,093	34,677,430	33,321,661	34,677,430	100.0%
Contingency	-	-	-	213,984	-	-	0.0%
Total	\$ 309,271,807	\$ 331,885,209	\$ 323,270,309	\$ 360,773,751	\$ 180,612,921	354,543,886	98.3%

- Employee Compensation typically ends year with 3% savings, Job Market very competitive, recruitment is challenging
- Employee Benefits typically end the year below budget in line with Employee Compensation; (in line with previous years)
- **Operating Budget** spending is slightly under expected trend (-1%),
 - **Increases to** Fuel (\$265k/67%), Food (\$190k/47%), Travel (\$82k/400%),
 - **Offsetting Decreases** to Public Assistance (-\$340k/-23%), Computer Replacement (-\$260k/-67%), Medical Services (-\$175k/-32%), Uniforms/Tools/Supplies (-\$200k/-20%),
 - If unspent due to supply chain delays, will likely be rolled into FY 2023
- Total Operating Budget **reduced by \$1.4M or 4.0%** since FY 2020 (*Target Based Budget Process*)
- **Contracts, Grants and Subsidies** mostly made up of UCPS, EMS, SPCC and Business Grant and Business Partner payments.
- General Fund Debt Service to be fully expended per statute
- **Interfund Transfers** are annual payments to other funds. (County PayGo Capital, UCPS PayGo Capital and Volunteer Fire Depts.)

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(Through Dec 31 2021)

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Investment Revenue	3,544,290	3,591,923	(7,909)	1,276,020	(662,856)	500,000	39.2%
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Other Revenue	6,904,316	7,681,055	7,604,115	8,502,108	1,513,371	8,110,877	95.4%
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Operating Cost	28,956,029	28,186,892	27,373,219	33,661,536	12,141,612	31,934,211	94.9%
Capital Outlay	2,304,406	2,345,843	3,925,521	6,962,649	1,231,524	6,578,697	94.5%
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Interfund Transfers, Out	21,733,439	31,884,538	23,847,093	34,677,430	33,321,661	34,677,430	100.0%
Contingency	-	-	-	213,984	-	-	0.0%
Total	\$ 309,271,807	\$ 331,885,209	\$ 323,270,309	\$ 360,773,751	\$ 180,612,921	354,543,886	98.3%
Over/(Under)	(3,503,279)	18,672,463	3,513,746	-	36,635,494	(12,843,524)	-3.6%

Restricted Revenues Not Available for Use

5,000,000

Projected Total Use of FB

(17,843,524)

Projected Unused FB Appropriated

9,228,000

% of GF Budget Projected Unspent

2.6%

Revenue
&
Expense

Long Range Budget

Overview

- GFOA Best Practice allowing leaders to estimate financial trajectory over a five and ten year window
- Based on several assumptions and variables extrapolated over a five and ten year time frame
- Model assumes reasonable growth in employment levels, currently planned building projects and existing debt burden
- It is expected that revenue growth will remain within the margin of error of expense increases in the near term (three years)
- Model does not account for large increases in future FTE's, construction projects or future tax rate backed debt issuances
- Major concerns that could affect this projection are continued inflationary pressure and future construction
- The County is expected to achieve a balanced budget with a consistent tax rate and moderate adjustment through FY 2025
- Effects of sustained inflation, additional debt issuances and slowing growth in local construction investment are barriers to maintaining operations at a revenue neutral level.

Long Range Budget

Variables and Assumptions

Revenues:

- Tax Base growth solid between 2.9% - 3.2%
- Sales Tax growth return to normal levels of 4.0% - 6.0% in FY 2025
- Limited growth to Intergovernmental Revenue based on trend 2.5% - 3.0%
- County construction growth currently strong, likely to level off by FY 2025 as interest rates rise 2.0% - 3.0%
- Modest appropriation of unassigned fund balance going forward \$3.75M

Expense:

- Consistent growth to Employee Compensation 7.2%, up to 11.0% for market adjustments (3-Year Cycle)
- Employee benefits driven by health insurance increases and decreasing OPEB obligation 6.5% - 9.0%
- Operating Cost to rise above historic levels through FY 2025, then level off, due to rising inflation 3.0% - 8.0%
- Capital items and new vehicle purchases are more due to inflation, 11.0% then falling to 3.0% in FY 2025
- Current debt obligation to drop 14.4% by FY 2025 (not including future debt issuances)
- Construction costs rose by 20.0% in 2021 due to inflation
- PayGo for County government and the School system expected to level off over time 3.0% - 12.0%

Union County Long Range Budget Projection FY 2023 - 32

As of 1/31/2022

Category	Actual FY 2016	Actual FY 2017	Actual FY 2019	Actual FY 2020	Actual FY 2021	YE Proj. FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	Projected FY 2031	Projected FY 2032
Revenues																
Ad Valorem Taxes and Fees	190,062,196	199,815,825	193,499,458	198,284,569	206,309,193	214,313,014	221,256,756	227,894,459	234,503,398	241,538,500	248,881,270	256,347,709	264,038,140	272,328,937	280,880,066	289,699,700
Local Option Sales Tax	41,860,291	43,070,620	45,818,820	48,720,847	56,259,871	59,545,238	64,928,127	70,148,349	74,385,309	77,390,475	80,517,051	83,769,939	87,154,245	90,675,276	94,338,558	98,149,835
Other Taxes	2,822,173	2,916,298	3,182,688	3,207,810	4,049,677	3,802,258	3,840,280	3,897,884	3,975,842	4,095,117	4,197,495	4,302,433	4,409,993	4,498,193	4,588,157	4,679,920
Intergovernmental Revenue, Unrestricted	10,442,191	11,408,872	12,784,541	13,715,528	15,398,472	16,284,115	17,267,675	18,310,643	19,233,499	20,202,868	21,221,092	22,290,635	23,414,083	24,594,153	25,577,919	26,601,036
Intergovernmental Revenue, Restricted	3,748,518	3,611,298	3,636,631	3,708,732	3,687,041	3,704,306	3,759,870	3,797,469	3,835,444	3,873,798	3,912,536	3,951,662	3,991,178	4,031,090	4,071,401	4,112,115
Intergovernmental Revenue, Federal Grants	17,917,394	16,203,387	15,729,414	15,919,507	17,664,168	16,725,919	16,725,919	17,060,438	17,401,646	17,749,679	18,015,925	18,286,163	18,560,456	18,838,863	19,121,446	19,408,267
Intergovernmental Revenue, State Grants	4,278,944	2,791,681	2,445,498	2,889,077	3,619,157	3,580,862	4,011,814	4,112,109	4,214,912	4,320,285	4,428,292	4,538,999	4,652,474	4,768,786	4,888,006	5,010,206
Non-Enterprise Charges for Services	9,334,439	11,105,138	11,229,259	11,574,281	11,545,099	12,158,217	12,235,693	12,541,585	12,799,189	13,311,157	13,976,715	14,675,551	15,556,084	16,022,766	16,503,449	16,998,553
Investment Revenue	444,194	1,266,711	3,544,290	3,591,923	(7,909)	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Interfund Transfers*	-	1,844,950	6,993,613	15,838,660	606,847	1,475,557	-	-	-	-	-	-	-	-	-	-
Other Revenue	7,064,589	7,242,868	6,904,316	7,681,055	7,604,115	8,110,877	8,354,203	8,354,203	8,354,203	8,354,203	8,604,829	8,604,829	8,604,829	8,604,829	8,862,974	8,862,974
Debt Proceeds - Restricted	270,800	-	-	25,425,683	48,324	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-	27,071,524	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
Total Revenues	288,245,729	301,277,648	305,768,528	350,557,672	326,784,055	366,771,886	356,630,339	370,367,139	382,953,443	395,086,083	408,005,205	421,017,920	434,631,483	448,612,895	463,081,976	477,772,607
Expenditures																
Employee Compensation	44,140,968	46,503,205	51,406,454	57,012,089	60,998,203	66,320,889	71,069,465	76,222,001	81,748,096	90,740,387	97,999,618	105,839,587	117,481,942	126,880,497	137,030,937	152,104,340
Employee Benefits	26,159,289	29,043,672	32,498,995	34,725,669	32,614,278	39,180,785	42,220,638	45,070,531	48,112,792	52,322,661	55,985,247	59,904,215	65,295,594	69,866,286	74,756,926	81,485,049
Operating Cost	31,086,267	29,472,818	28,956,029	28,186,892	27,373,219	31,934,211	33,713,191	35,651,699	36,667,773	37,767,806	38,900,840	40,067,865	41,269,901	42,507,999	43,783,238	45,096,736
Capital Outlay	2,152,083	2,121,393	2,304,406	2,345,843	3,925,521	6,486,737	2,603,886	2,812,197	2,896,563	2,983,460	3,072,963	3,165,152	3,260,107	3,357,910	3,458,647	3,562,407
Contracts, Grants, and Subsidies	108,730,445	113,673,816	117,475,297	123,029,634	128,656,202	130,400,341	134,625,312	138,987,172	143,295,774	147,594,647	152,081,524	156,643,970	161,343,289	166,409,469	171,634,726	177,024,056
Debt Service*	45,859,529	45,556,805	57,195,352	57,460,665	50,024,595	49,367,615	48,623,431	44,070,561	42,246,317	39,885,822	36,770,536	34,940,126	32,653,069	28,896,200	19,432,571	16,781,073
Interdepartmental Charges	(1,797,384)	(1,700,668)	(2,298,165)	(2,760,121)	(4,168,802)	(3,916,082)	(3,977,009)	(4,334,940)	(4,725,084)	(5,008,589)	(5,309,105)	(5,627,651)	(5,965,310)	(6,323,229)	(6,702,623)	(7,104,780)
Interfund Transfers, Out	23,349,733	24,765,252	21,733,439	31,884,538	23,847,093	34,677,430	27,529,628	29,731,998	30,594,226	31,481,459	32,425,903	33,398,680	34,400,640	35,432,659	36,495,639	37,590,508
Contingency	-	-	-	-	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Expenditures	279,680,930	289,436,293	309,271,807	331,885,209	323,270,309	354,451,926	356,408,541	368,461,220	381,086,457	398,017,652	412,177,527	428,581,944	449,989,232	467,277,790	480,140,062	506,789,389
Fund Balance (Use)/Contribution	8,564,799	\$ 11,841,355	(3,503,279)	18,672,463	3,513,746	10,819,960	221,797	1,905,920	1,866,987	(2,931,569)	(4,172,322)	(7,564,024)	(15,357,749)	(18,664,896)	(17,058,086)	(29,016,782)
Fund Balance Usage Sensitivity (+/- 2.5%) of Exp	3.06%	4.09%	-1.13%	5.63%	1.09%	3.05%	0.06%	0.52%	0.49%	-0.74%	-1.01%	-1.76%	-3.41%	-3.99%	-3.55%	-5.73%



Thanks for watching!



UNIONCOUNTY
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