

**Union County  
Government**

EST. 1842

# FY 2021 Sales Tax Update & FY 2022 Economic Overview

December 21<sup>st</sup>, 2020

*Blake Hart*

*Director of Budget Management*



# Today's Agenda

- Economic Outlook
- Economic Impact of Covid-19
- Impact to County
- FY 2021 Sales Tax Update & FY 2022 Projection
- FY 2022 Budget Assumptions
- Departmental Budget Instructions
- Budget Calendar

# Economic Outlook

## **Positive Indicators**

- Federal Reserve Board Projects GDP Growth of 4.2% in 2021, Compared to -2.4% in 2020 (COVID-19 Impact)
- National Unemployment Rate – 6.7% (High of 14.2% April); (as of October 2020) Union County Unemployment Rate – 4.9%, State 6.3%
- Federal Reserve Board Projects Modest Core Inflation 2020 – 2023 (1.4%, 1.8%, 1.9%, 2.0%)
- Dow Jones Rebounds to Historic High of 30,300 (low of 18,600 March 23<sup>rd</sup> 2020, 61.3% Growth)
- Average Hourly Wages Increased 5.2% (Nov 2019 – Nov 2020) (U.S. BLS)
- 68% of Small and Midsize Businesses Expect Cash Reserves to Support Operations for Six Months or Longer (Vistage Employer Survey -VSA)
- 90% of Small and Midsize Businesses Plan to Add or Maintain Current Employee Levels in 2021, Only 9% Expecting Reductions (VSA)
- 95% Small and Midsize Businesses Expect their Business to Gain Momentum and Be Stronger in the Next Six Months (VSA)
- Mortgage Rates Drop to Historic Lows (2.75%), Federal Reserve Board Indicates No Intention to Raise Federal Funds Rate (FFR) in Near Term
- Potential Additional Federal Stimulus Forthcoming

## **Concerns**

- Will COVID-19 Ever Go Away? Will Vaccines Fully Open Economy?
- Low Wage Workers Continue to Suffer During Lockdowns and Economic Uncertainty
- 7.1 Million Job Seekers are Currently Not in the U.S. Labor Force (U.S. BLS)
- Significant and Long-Term Damage to the Hospitality, Travel, Entertainment and Recreation Industries
- Concern Over Presidential Election Results
- Potential Changes to U.S. Trade and Monetary Policy
- Consumer Confidence Down 20% Points, Slowly Increasing (Biggest Bulwark Against Recession)

# Demographic Data

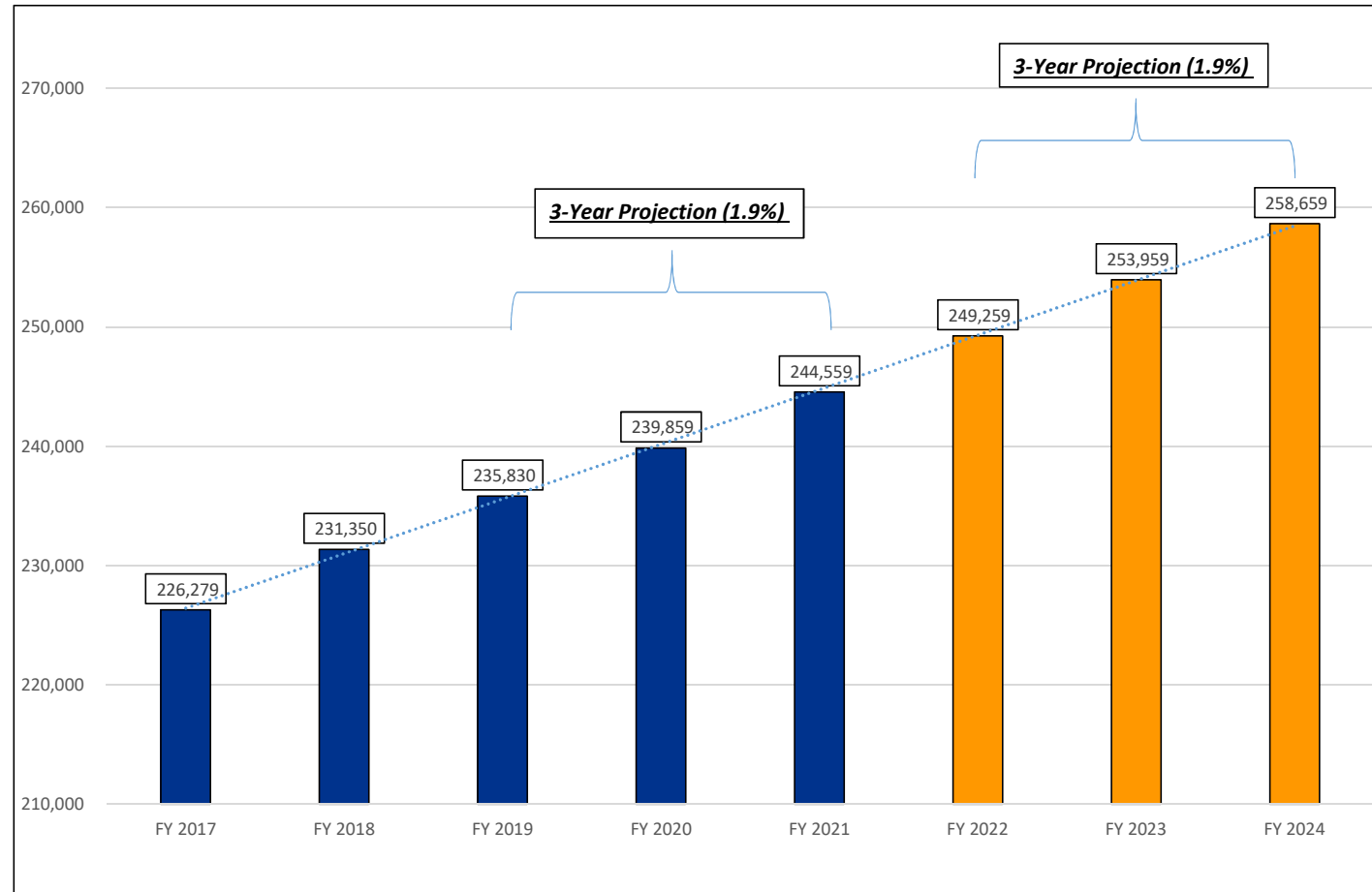
## County Population

FY 2012 – 204,332 (1.9% growth)

FY 2022 – 248,429 (1.9% next 5 years)

Estimated to add 4,700 per year

*\*U.S. Census Annual Estimates  
Union County 2050 Comprehensive Plan*



# Internal Migration During COVID-19

Internal Migration Patterns Occurring within the United States (Urban  Suburban and Rural):

- Workers Given Flexibility to Work Remotely During Pandemic, Leaving Urban Areas for Alternate Locations
- Drawn Towards Areas with Less Density, Lower Taxes, Better Weather, Lower Cost of Living
- Going to Smaller Towns in the South/Sun Belt, More Freedom, Less Government Regulation
- People of All Income Levels are Leaving Large Cities & States
- 3.57 million People Left New York City (NYC) Since February, 3.5 million People Have Moved In (Net Loss of 70,000)
- People Moving into NYC Earn 40% Less than Leaving (\$140k vs \$80k or Loss of \$34 Billion in Total Income)
- Significant Exits from California to Texas (Elon Musk, Joe Rogan, Hewlett Packard, Toyota U.S. Headquarters all moved to Texas in Last Six Months)

Top 10 Cities that <b>Lost</b> the Most Residents		Top 10 Cities that <b>Gained</b> the Most Residents	
1.	Hartford, CT	1.	Austin, TX
2.	New York City, NY	2.	Phoenix, AZ
3.	San Francisco Bay Area, CA	3.	Nashville, TN
4.	Chicago, IL	4.	Tampa, FL
5.	Cleveland, OH	5.	Jacksonville, FL
6.	Norfolk, VA	6.	Charlotte, NC
7.	Boston, MA	7.	Dallas, TX
8.	Detroit, MI	8.	Denver, CO
9.	Cincinnati, OH	9.	Charleston, SC
10.	Pittsburgh, PA	10.	Seattle, WA

*\*Between April and October 2020*

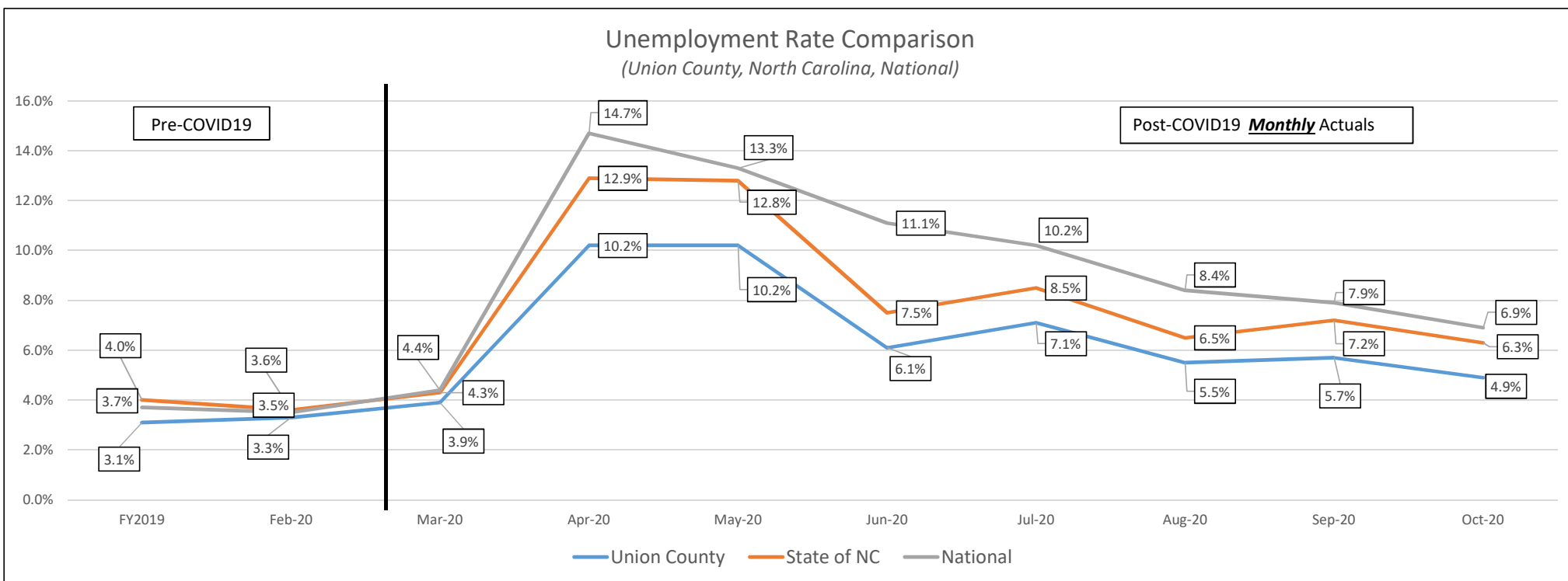
# COVID-19 Impact on Unemployment

## Unemployment Rate

Union County – 4.9%; April 2020 – 10.2%; 2019 – 3.1%  
 State of NC – 6.3%; April 2020 – 12.9%; 2019 – 4.0%  
 United States – 6.9%; April 2020 – 14.7%; 2019 – 3.7%  
 Workers Without High School Diploma 9%, With College Degree 4.2%

## Federal Reserve Projects

- National Unemployment to Return to 4.5% - 5% (Dec 2021)
- Employment at Normal Levels 21 Months From First COVID-19 Lockdown
- Positive 2021 GDP Growth of 4.2%
- Sub 2% Inflation through 2023



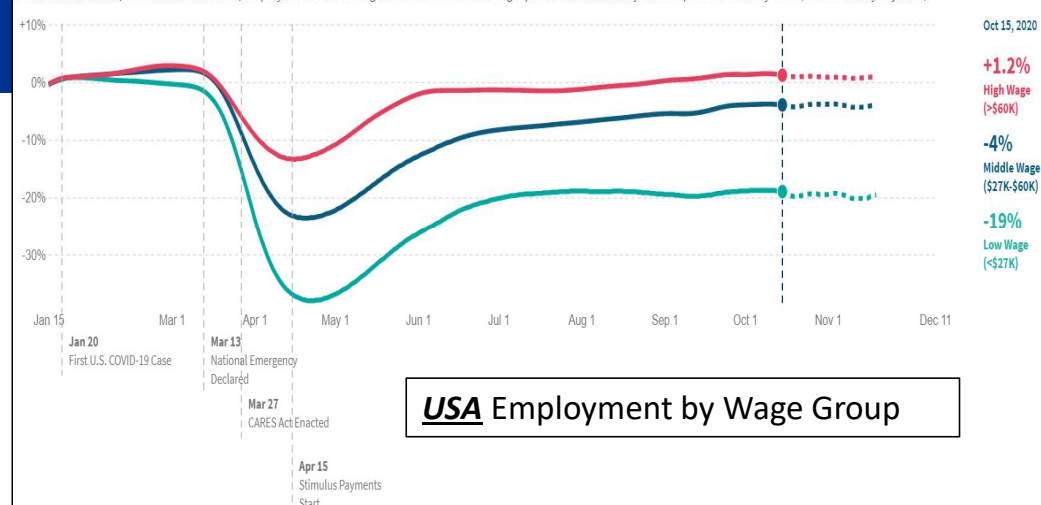
# Employment by Wage Group

- Low Wage Workers Most Affected by Lockdowns
  - Nationally (-19%)
  - State Wide (-20%)
  - Union County (-12.5%)
- Union County Low Wage Workers More Resilient by Comparison
- High Wage Earners Doing Better at All Levels

\*Data from Opportunity Insights Economic Tracker (Harvard, Brown, Bill Gates Foundation)

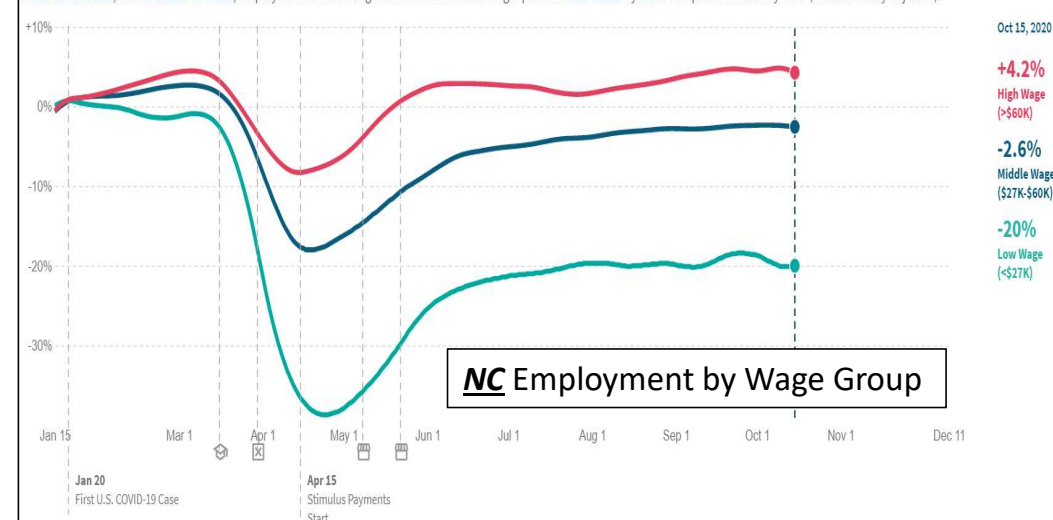
## Percent Change in Employment\*

In the United States, as of October 15 2020, employment rates among workers in the middle wage quartiles decreased by 4% compared to January 2020 (not seasonally adjusted).



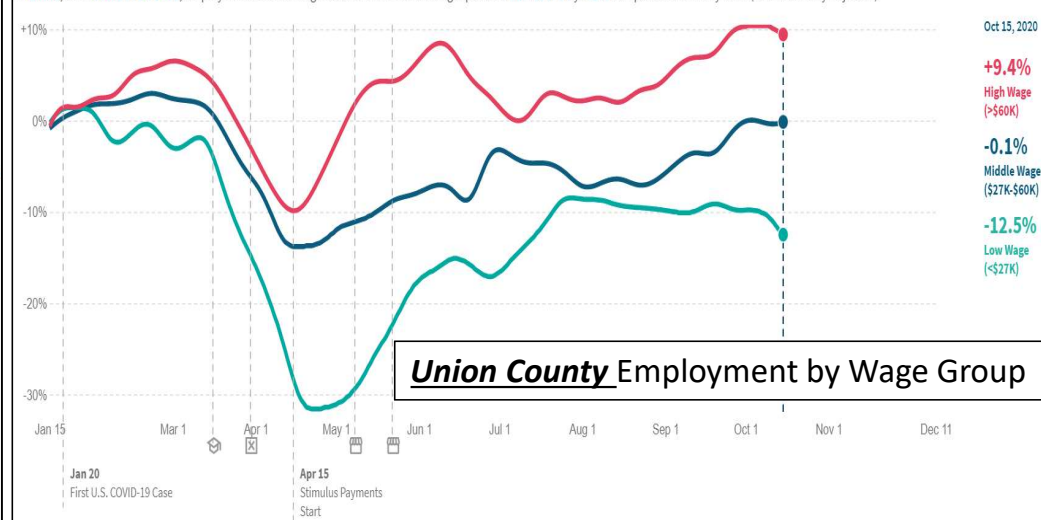
## Percent Change in Employment\*

In North Carolina, as of October 15 2020, employment rates among workers in the middle wage quartiles decreased by 2.6% compared to January 2020 (not seasonally adjusted).



## Percent Change in Employment\*

In Union, as of October 15 2020, employment rates among workers in the middle wage quartiles decreased by 0.1% compared to January 2020 (not seasonally adjusted).





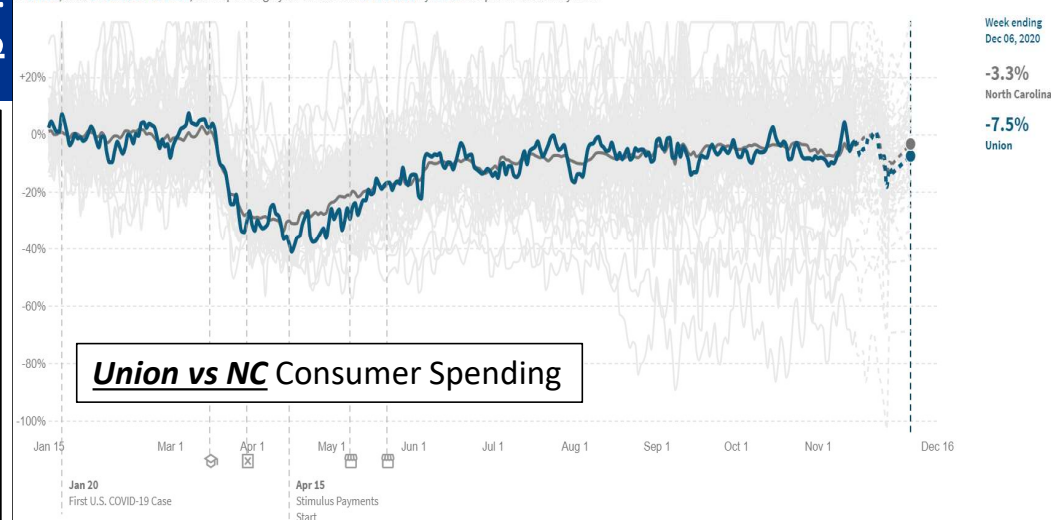
# Impact to Consumer Spending

- Union County Spending Decreased More Than State Average
- Concentrated in Restaurants/Hotels, Transportation/Travel, Entertainment/ Recreation
- Consumer Spending Increased in Groceries and Retail (includes On-Line Retail, Amazon, etc.)
- WNC Rural Counties show Largest Decrease in Spending

\*Data from Opportunity Insights Economic Tracker (Harvard, Brown, Bill Gates Foundation)

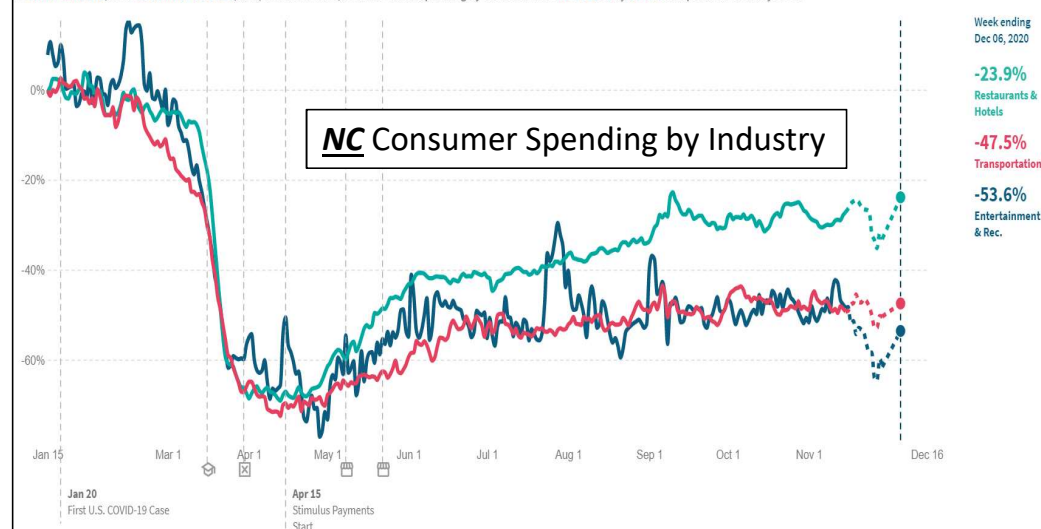
## Percent Change in All Consumer Spending\*

In Union, as of December 06 2020, total spending by all consumers decreased by 7.5% compared to January 2020.



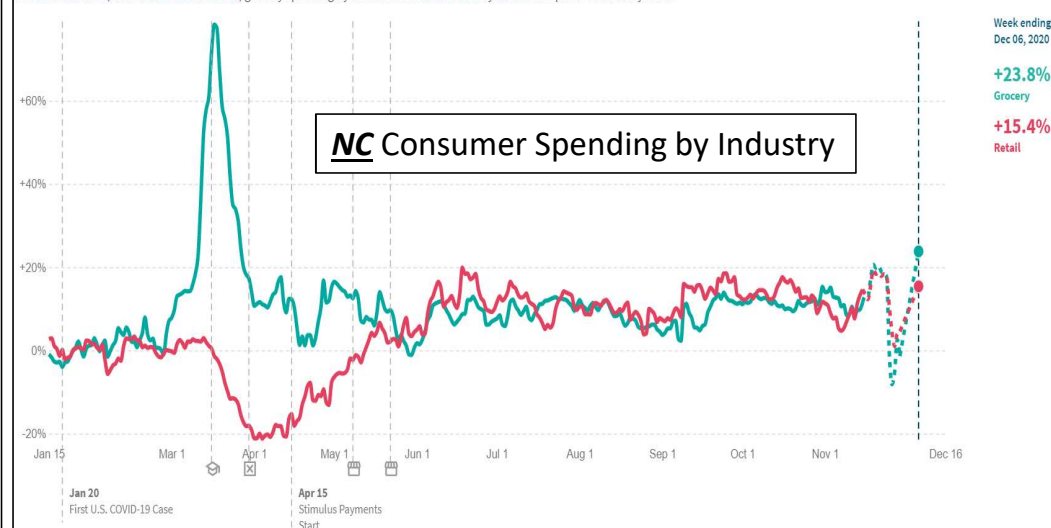
## Percent Change in All Consumer Spending\*

In North Carolina, as of December 06 2020, arts, entertainment, and recreation spending by all consumers decreased by 53.6% compared to January 2020.



## Percent Change in All Consumer Spending\*

In North Carolina, as of December 06 2020, grocery spending by all consumers increased by 23.8% compared to January 2020.





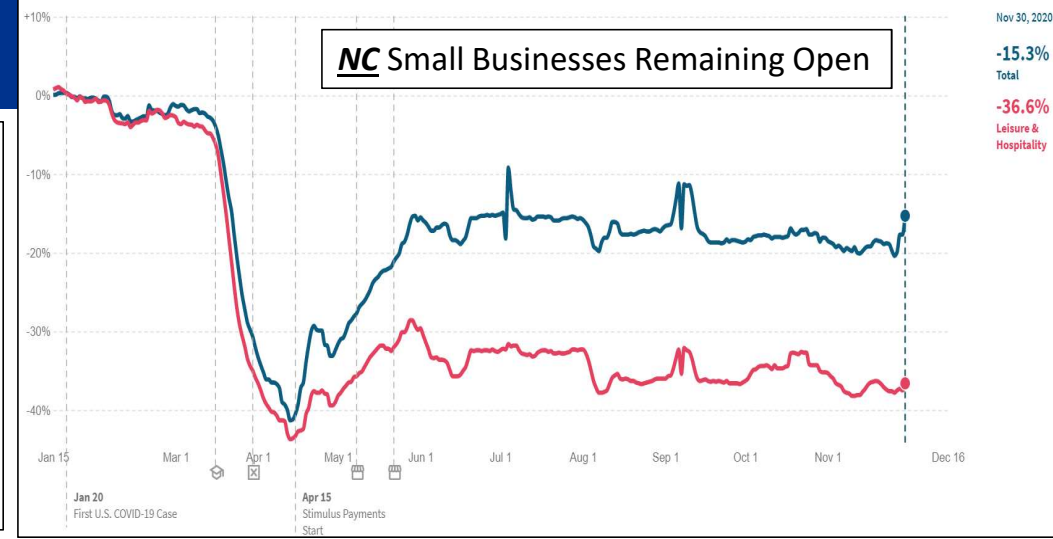
# Impact to Small Business

- 15.3% of all NC Small Businesses Remain Closed
- 36.6% of NC Leisure & Hospitality Businesses Remain Closed
- Union County Small Business Revenue Down (-10.8%)
- Mecklenburg County Small Business Revenue Down (-32.2%)
- NC Hospitality & Leisure Small Business Revenue Down (-43.9%)

\*Data from Opportunity Insights Economic Tracker (Harvard, Brown, Bill Gates Foundation)

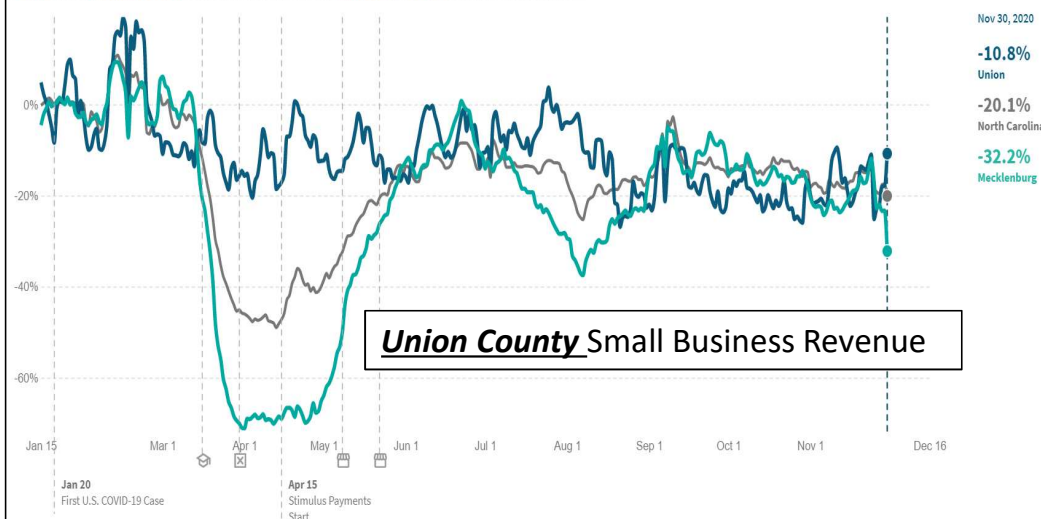
## Percent Change in Number of Small Businesses Open\*

In North Carolina, as of November 30, 2020, the number of small businesses open decreased by 15.3% compared to January 2020.



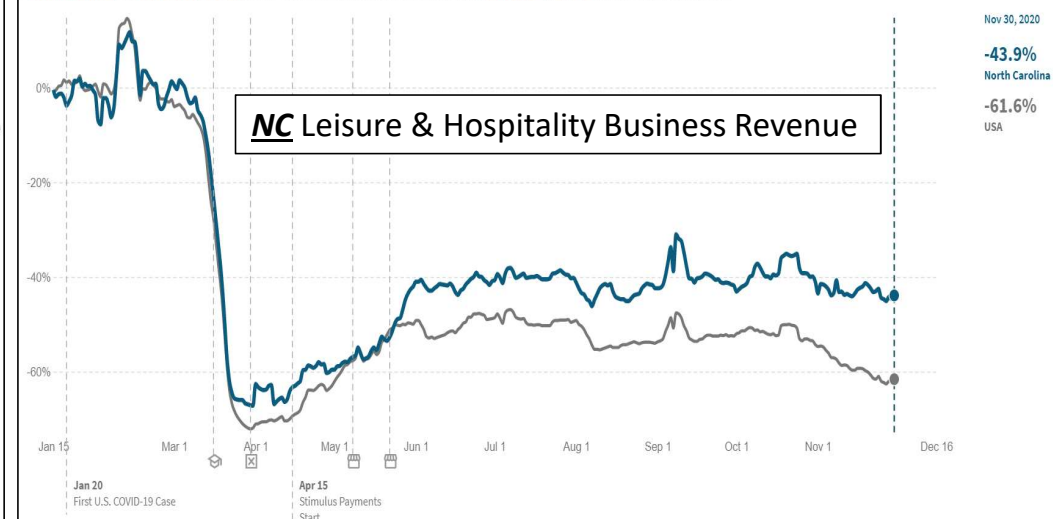
## Percent Change in Small Business Revenue\*

In Union, as of November 30, 2020, total small business revenue decreased by 10.8% compared to January 2020.



## Percent Change in Small Business Revenue\*

In North Carolina, as of November 30, 2020, leisure and hospitality small business revenue decreased by 43.9% compared to January 2020.



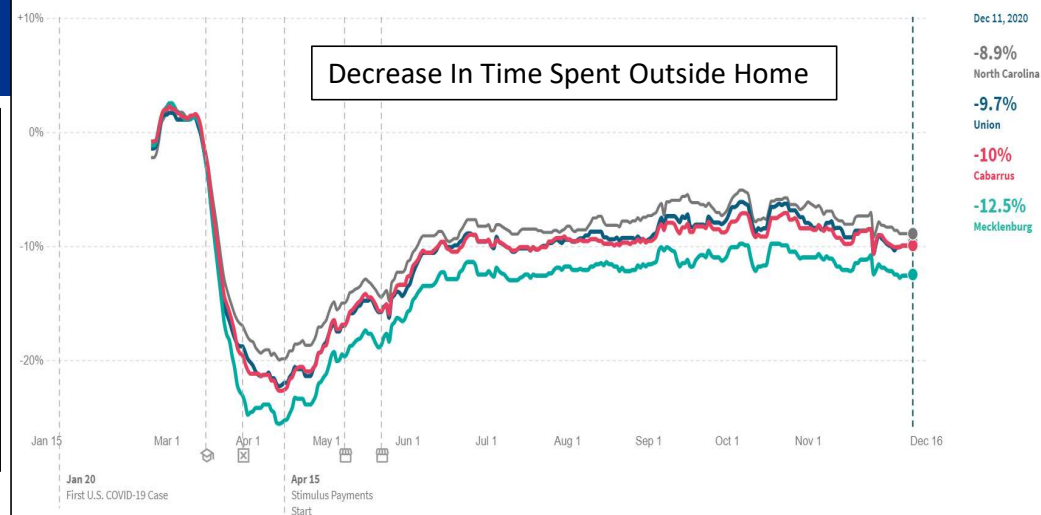
# Impact to Quality of Life

- More Time Indoors (9.7%) Social Isolation, Depression, Addiction
- Consumer Confidence is Low, Rising Slowly
- New COVID-19 Deaths per 100k eclipsing First Wave (March – June)
- NC COVID-19 Death Rate is Over Half of USA Average (.78 vs .44)

\*Data from Opportunity Insights Economic Tracker (Harvard, Brown, Bill Gates Foundation)

## Percent Change in Time Spent Outside Home\*

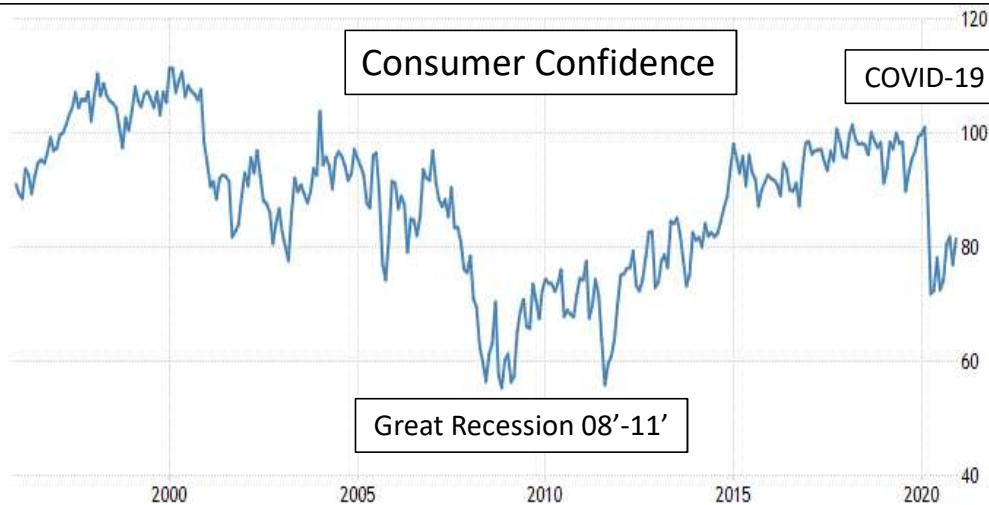
In Union, as of December 11 2020, total time spent away from home decreased by 9.7% compared to January 2020.



## Consumer Confidence

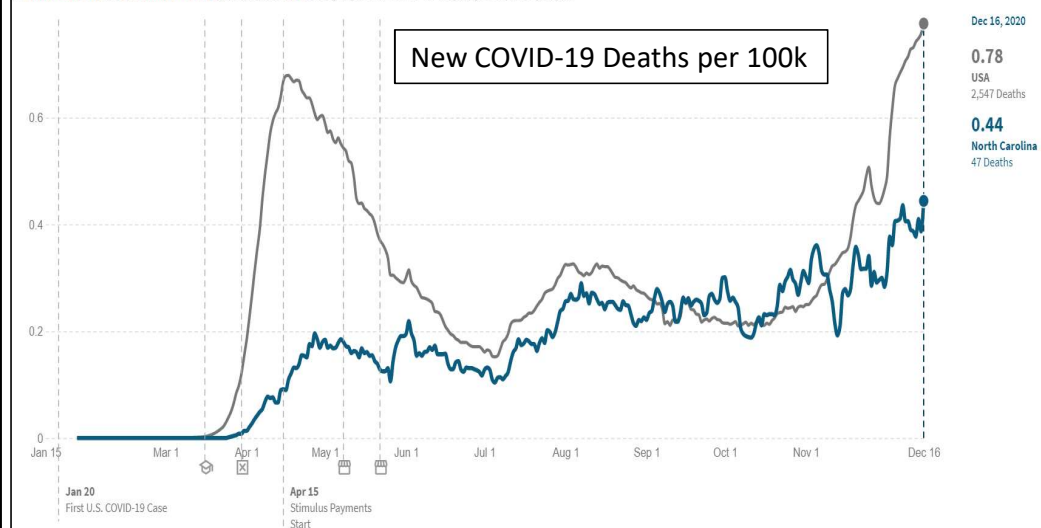
COVID-19

Great Recession 08'-11'



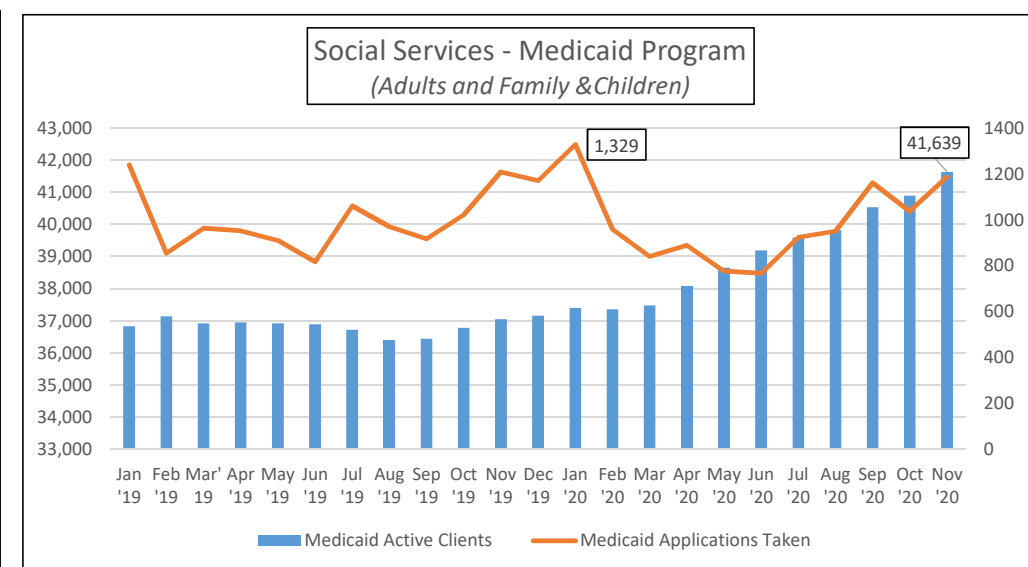
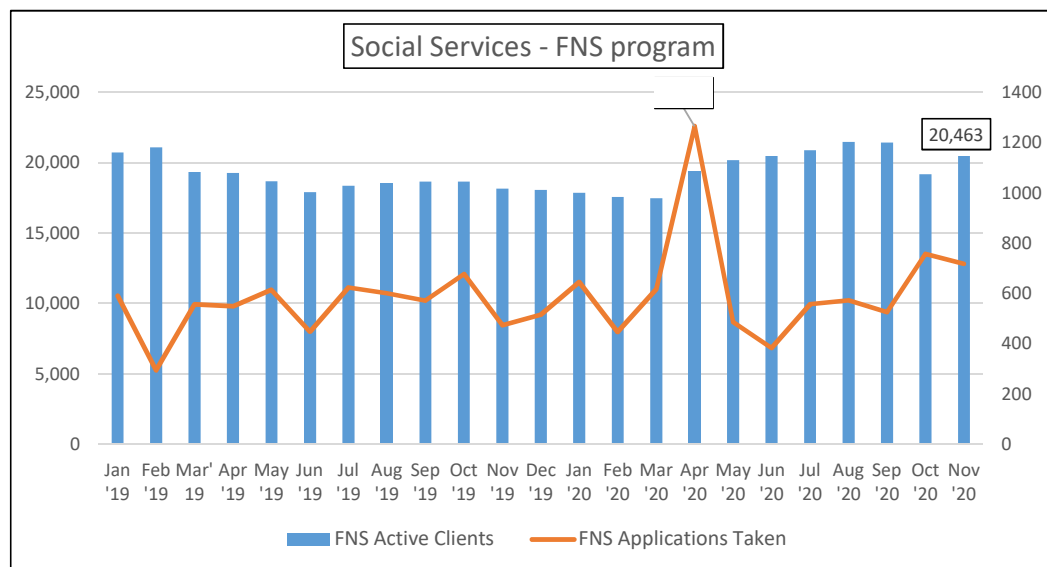
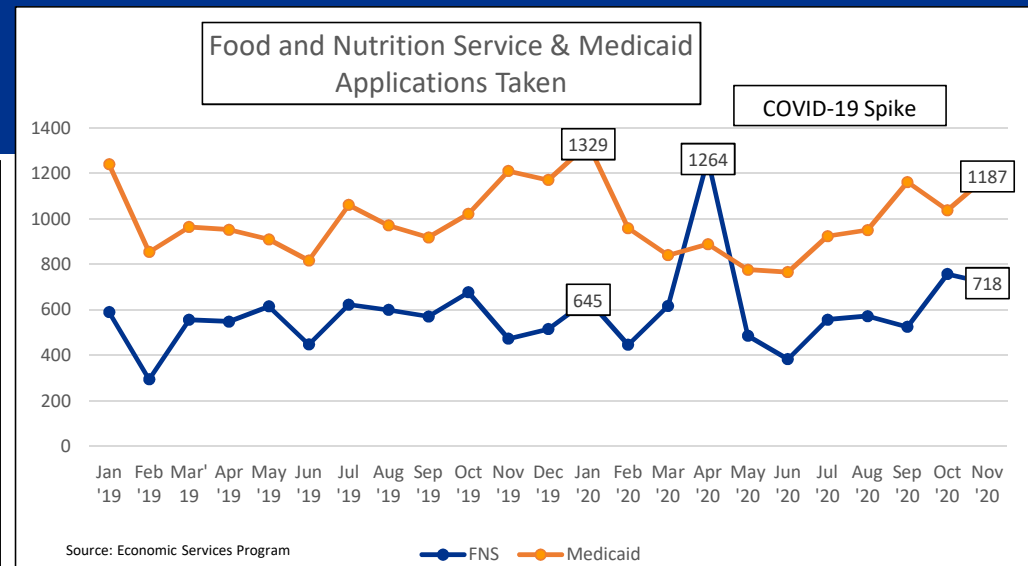
## Daily Reported COVID-19 Cases, Deaths and Tests per 100,000 People\*

In North Carolina, on December 16 2020, there were 0.44 newly reported COVID-19 deaths per 100,000 people.



# Impacts to Basic Needs

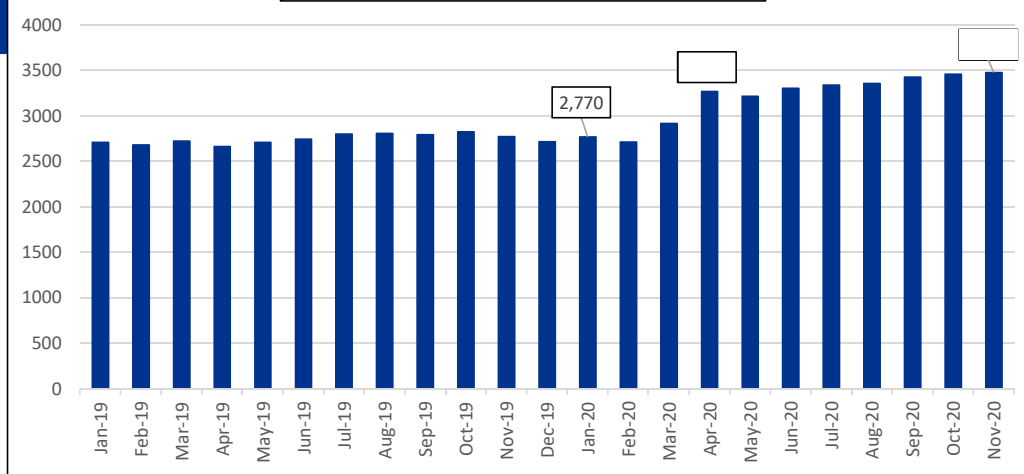
- Social Services Entitlement Program Increasing
- Demand for Food & Nutrition Services (FNS) Increasing
- Medicaid Program Applications and Caseloads Increasing for Adults, Families and Children
- Safety Net for Displaced Lower Income Workers Disproportionally Affected Economically



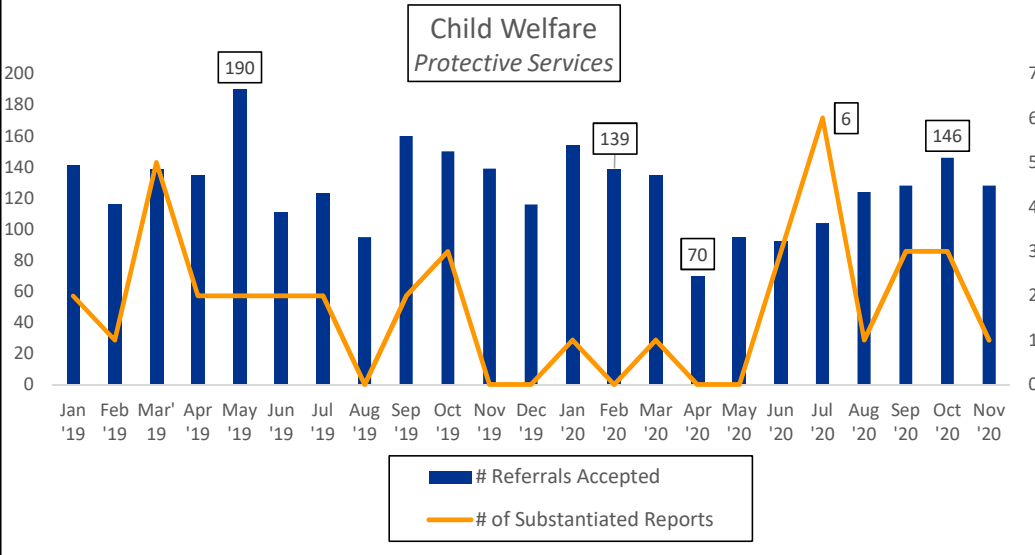
# Impacts to Children

- # of WIC Clients increased 25.5% from January 2020
- CPS Substantiated Reports of Neglect and Abuse Increasing
- Majority of CPS Reporters are Teachers, More Reports, Less Contact (Virtual)
- # of Children in Foster Care Increased 20.9% (1 Year) and 56% (2 Years)
- Severity of Cases since the Pandemic are Increasing due to Parental Substance Abuse, Inappropriate Discipline, Domestic Violence and Sexual Abuse
- Virtual Learning Challenging to Children and Families (UCPS No Data to Report)

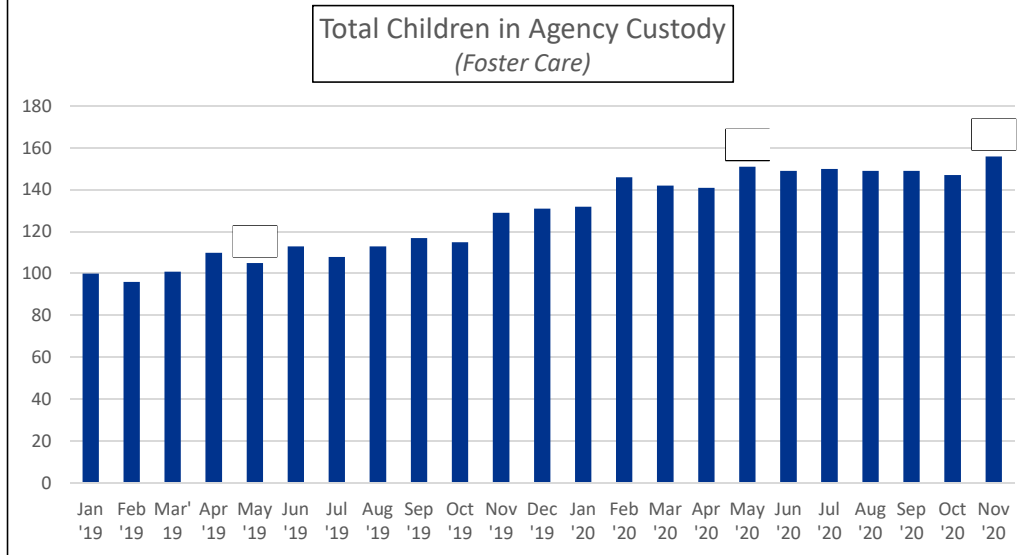
Active WIC Client  
(Nutrition for Women, Infants, and Children)



Child Welfare  
Protective Services

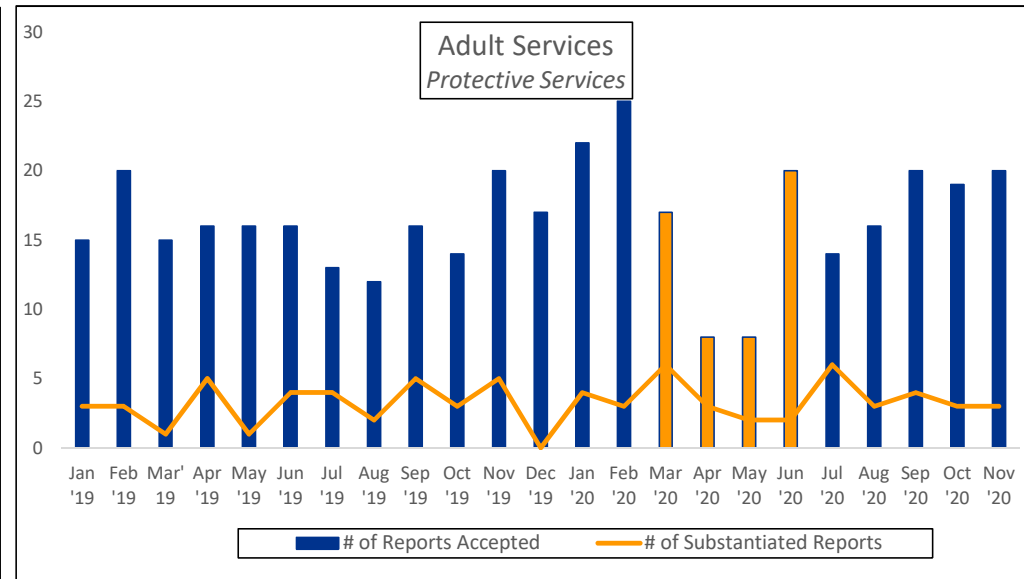
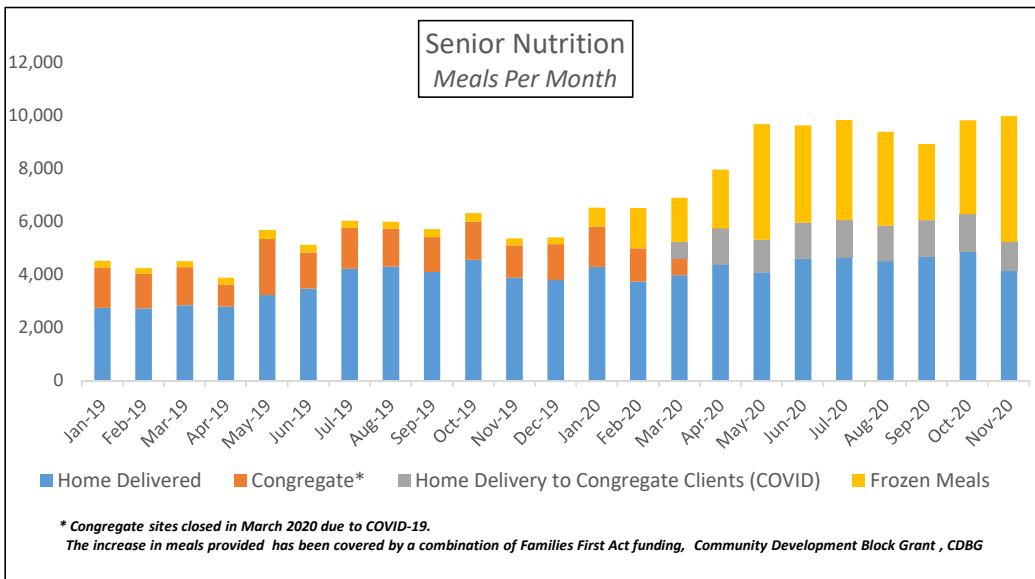
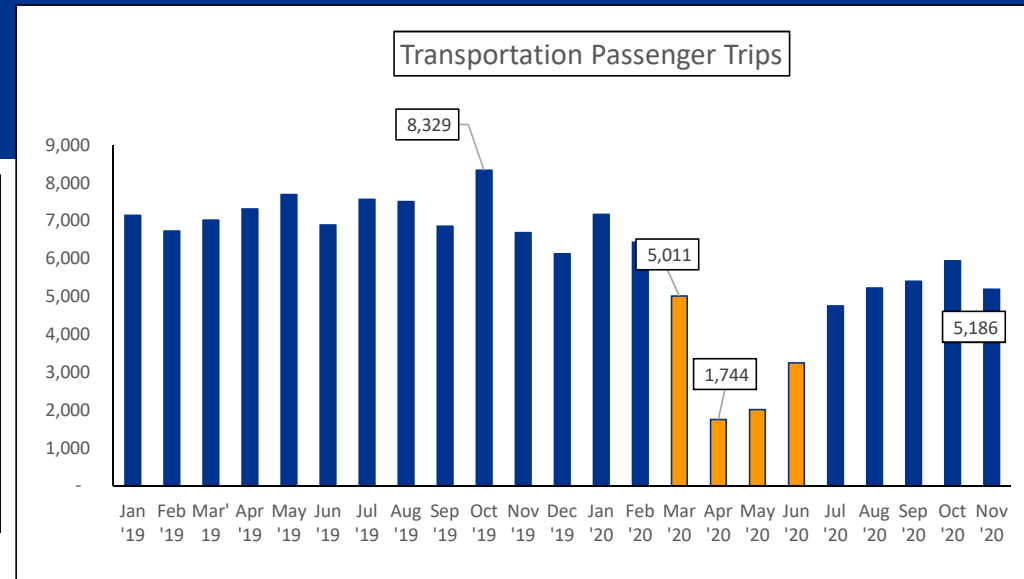


Total Children in Agency Custody  
(Foster Care)



# Impacts to Seniors

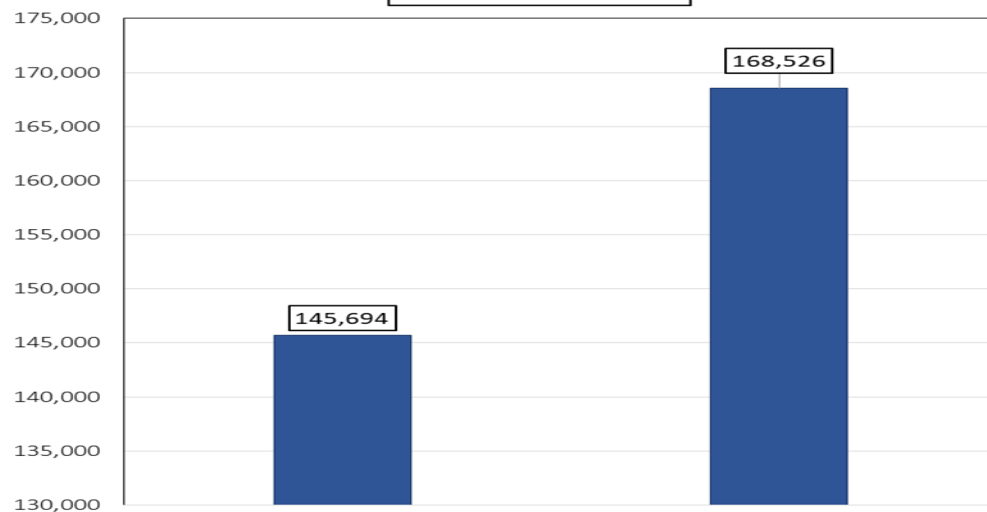
- Increase in Passenger Trips Due to Assisting Senior Nutrition Program with Delivery of Meals/Ensure
- Safety #1 Goal with Vans Fogged twice/day and Wiped Down Throughout Day
- Pandemic Related Funding Received for Senior Nutrition Meals has Enabled the County to Remove Seniors from Waitlist
- Lock Down Phase Resulted in Drop of Adult Protective Services Reports, these Increased Once Phase Lifted



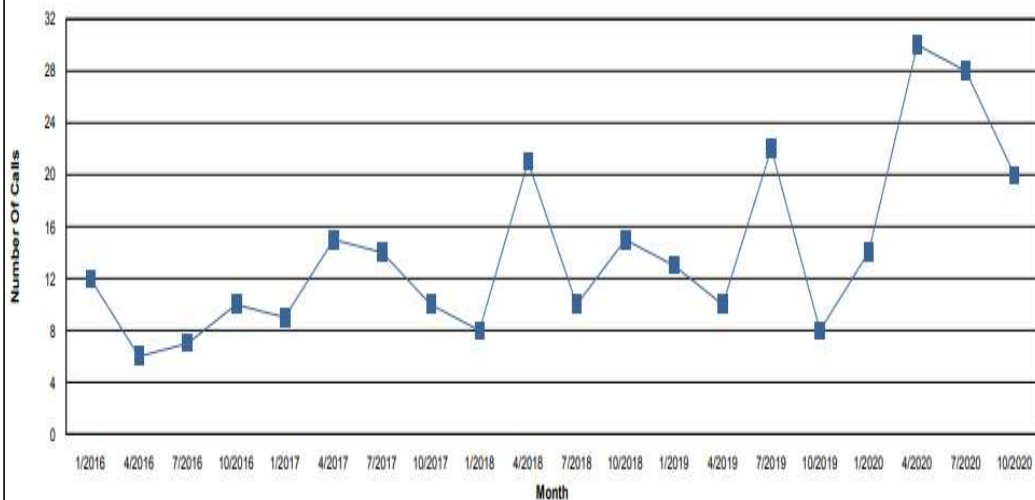
# Impacts to Public Safety

- # of Sheriff's Office Calls for Service Up 15.7% in 2020
- # of Sheriff's Office Calls for Armed Subject Up 100% (Jan to April)
- Calls for Service for Larceny of Vehicle Increased During COVID Period, while Home Break ins Decreased
- Firearm Purchase Permits Up 58%, Conceal Carry Application Up 52%
- Mental Health Services (Daymark) Reports Significant Increase in New Patients for Psychiatric Services and Alcohol Addiction Treatment

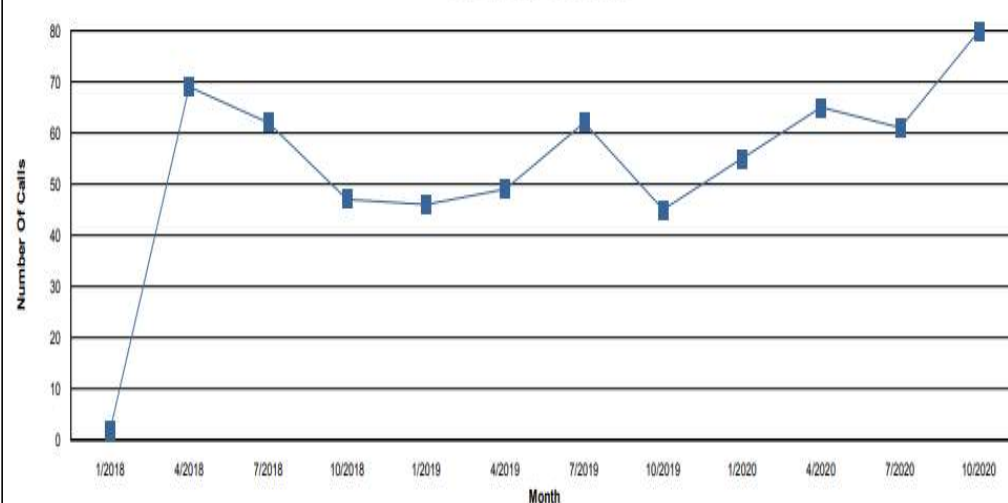
Calls for Service



For ARMED SUBJECT REPORT



For LARCENY OF VEHICLE



# County Building Data

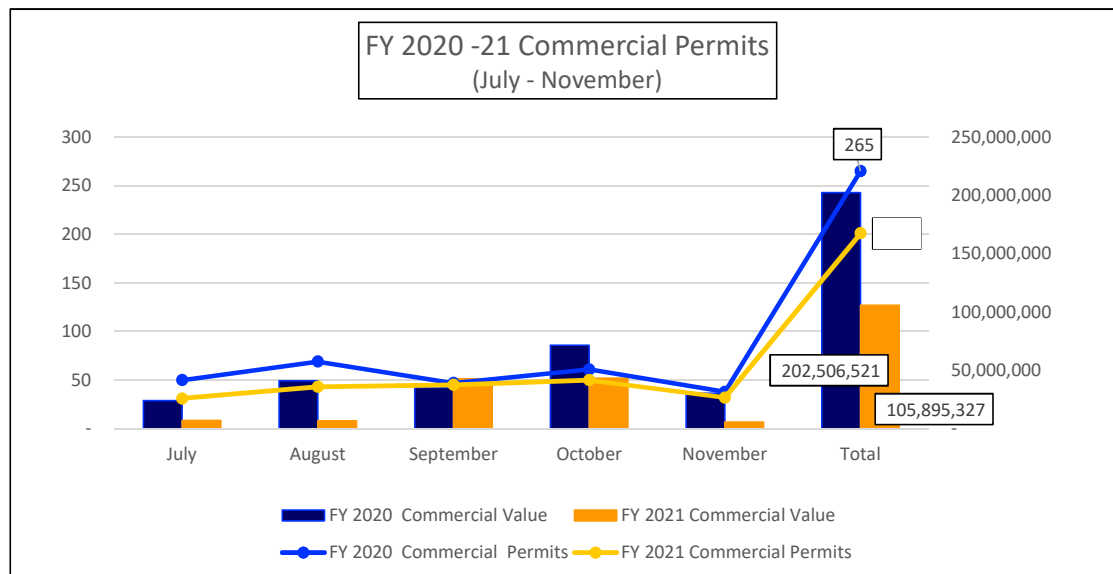
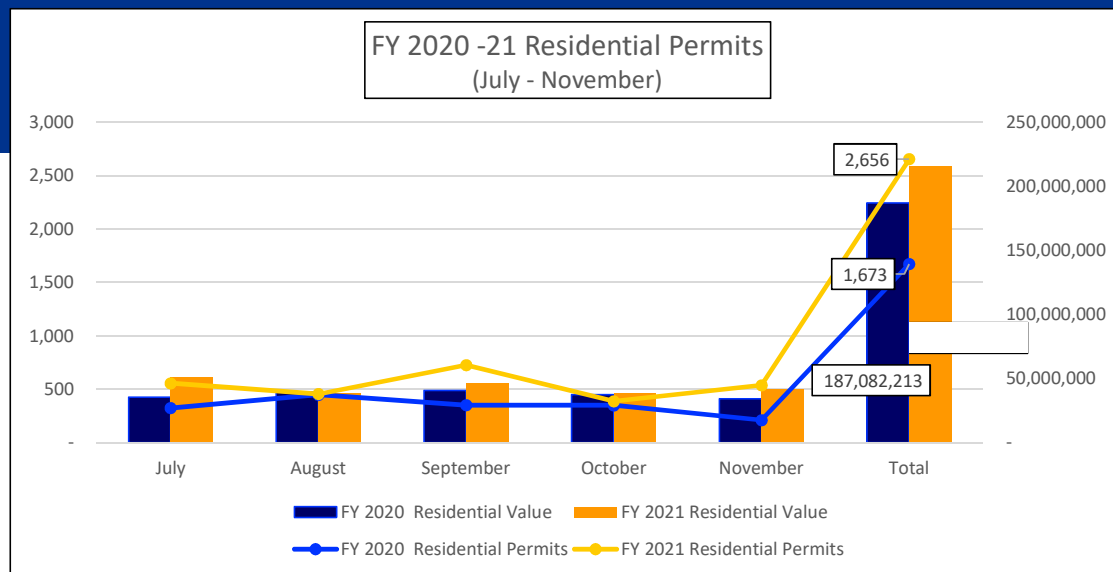
FY 2019	1,378	-	133,608,581	-
FY 2020	1,673	21.4%	187,082,213	40.0%
FY 2021	2,656	58.8%	215,968,113	15.4%

FY 2019	268	-	107,112,856	-
FY 2020	265	-1.1%	202,506,521	89.1%
FY 2021	201	-24.2%	105,895,327	-47.7%

FY 2019	1,646	-	240,721,437	-
FY 2020	1,938	17.7%	389,588,734	61.8%
FY 2021	2,857	47.4%	321,863,440	-17.4%

\*Numbers represent all permit types, County and Municipalities

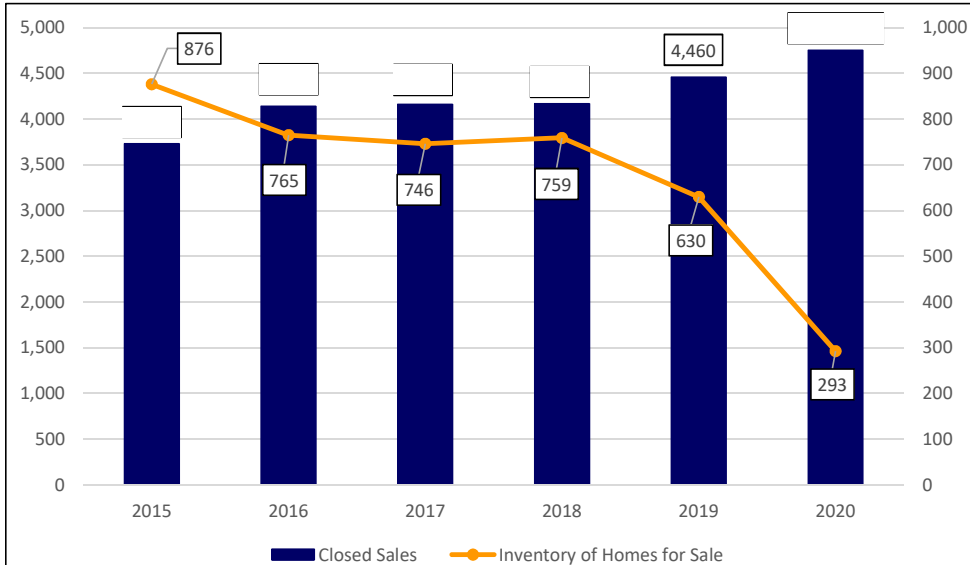
\*\*Time period is July-November of each year



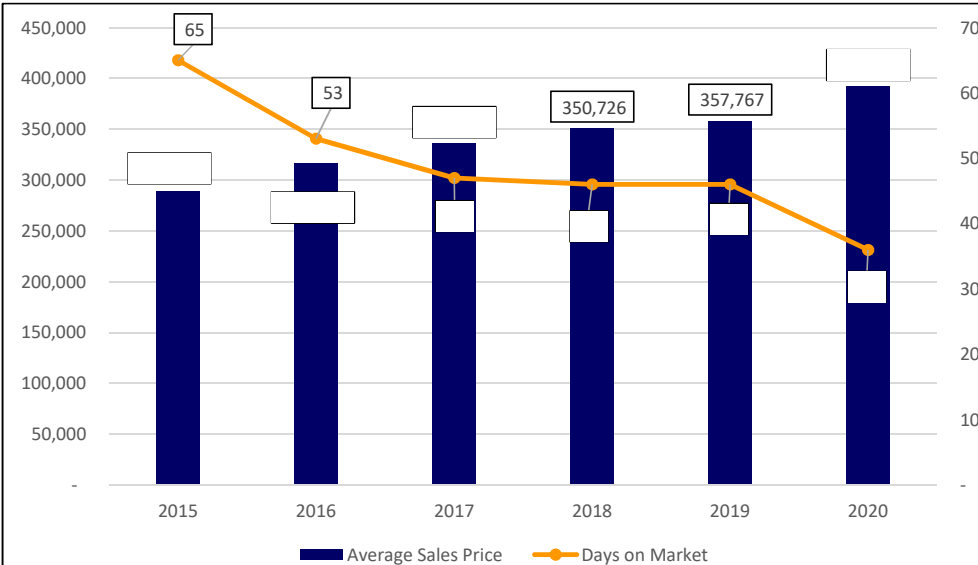


# Real Estate Market

## # of Sales vs. Inventory of Homes for Sale



## Average Sales Price vs. Days on Market

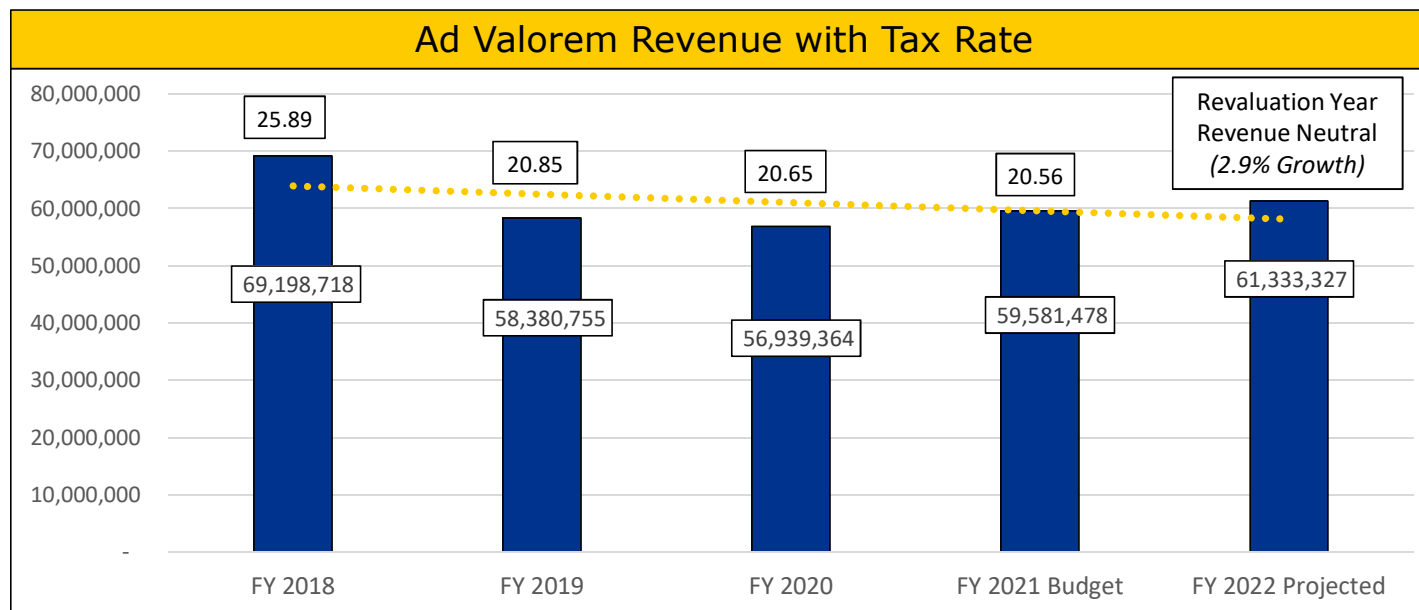


- Total Closed Home Sales Up 6.6% Over 2019
- Total closed Home Sales Up 27.4% From 2015
- Available Housing Inventory at All Time Low, Due to High Closed Sales and Decreasing Inventory

- Home Sales Price Growing at an Increasing Rate (↑9.5%, 2019)
- Home Sales Price Increased 35.8% Since 2015
- Homes Selling Quickly, Benefit to Sellers
- Buyers Bidding Up Final Sales Price
- Buyers From Out of County, Leaving Larger Urban Areas

# Real Property Ad Valorem Revenue Over Time

- Real Estate Market is Strong, Strong Influx of People Seeking Better Quality of Life
- Commercial Capital Investment Limited During Pandemic
- Building Permits for Commercial Construction are Down, Residential Constructions Permits showing solid growth
- Decrease in Ad Valorem Revenue Only Due to Tax Rate Reduction Over Time
- Additional 1% of Value = \$589,966 in Expected Revenue



# FY 2020 Sales Tax Review

- July through February (*Pre-COVID-19*) – Projected to Collect 100.9% of FY 2020 Sales Tax
- March through June – COVID-19 Changed the Landscape
  - Scenario Planning Based on State DOR, NCACC, NCLM, CBO, Private Sector Indicators
  - County Projected 21% loss, or 7% Annualized (\$3.4 M)
  - State Projected 36% Loss, or 9% Annualized
- Lag Between Retail Sale and County Collection
  - April Sales Distributed to County in June

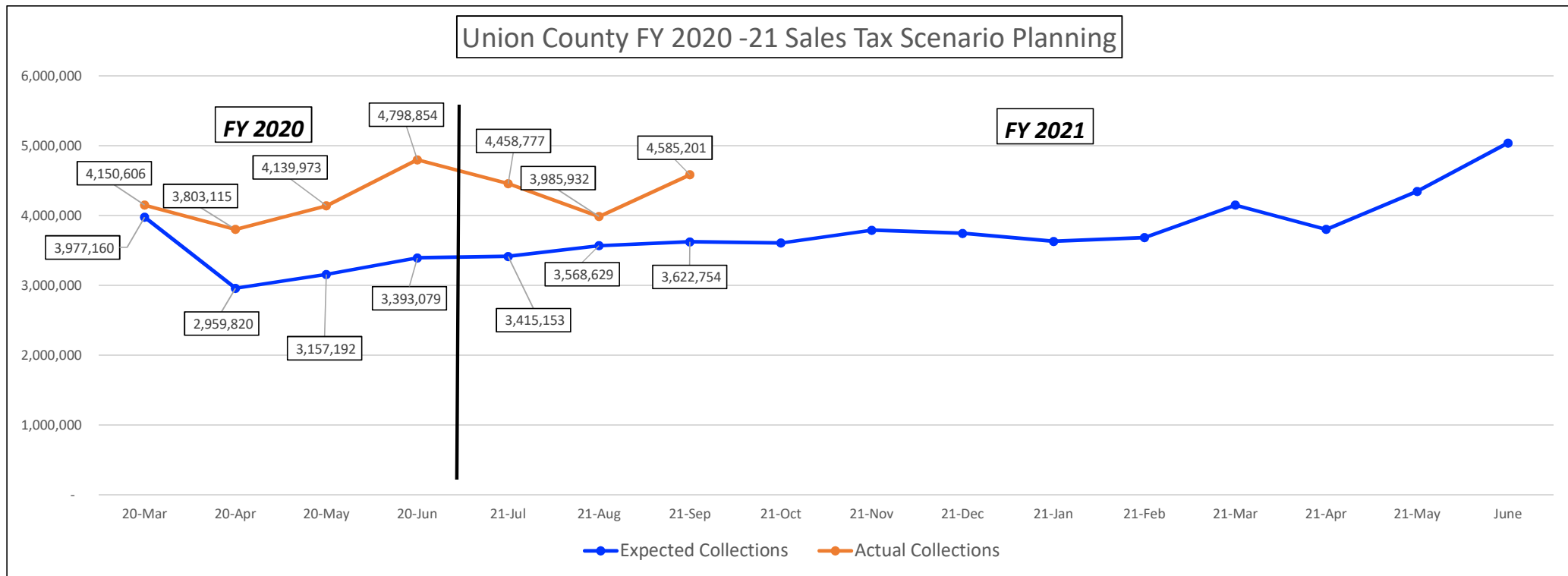
# FY 2020 Local Option Sales Tax Budget vs. Actual Collections

FY 2020 (Q4) and FY 2021 Collection Estimate Revised Down by 4.5%

- Expected Decrease in Economic Activity
- FY 2021 Budget Based on “V” or “Nike Swoosh” Shaped Recovery, Beginning in May/June 2020
- Expected Monthly Collection Decreases as Compared with Same Period in Prior Year
- Collected 99.95% of FY 2020 Adopted Budget
- Actual FY 2020 Shortfall of \$24,789 (.05%), Compared to Expected \$3.4 Million Loss
- County Consistently Outperformed State Average Collection Compared to Prior Years
- County Economic Base Stable (Industry, Agriculture, Business)
- Actual Collections 22.8% above FY 2019 (through December, Q1)

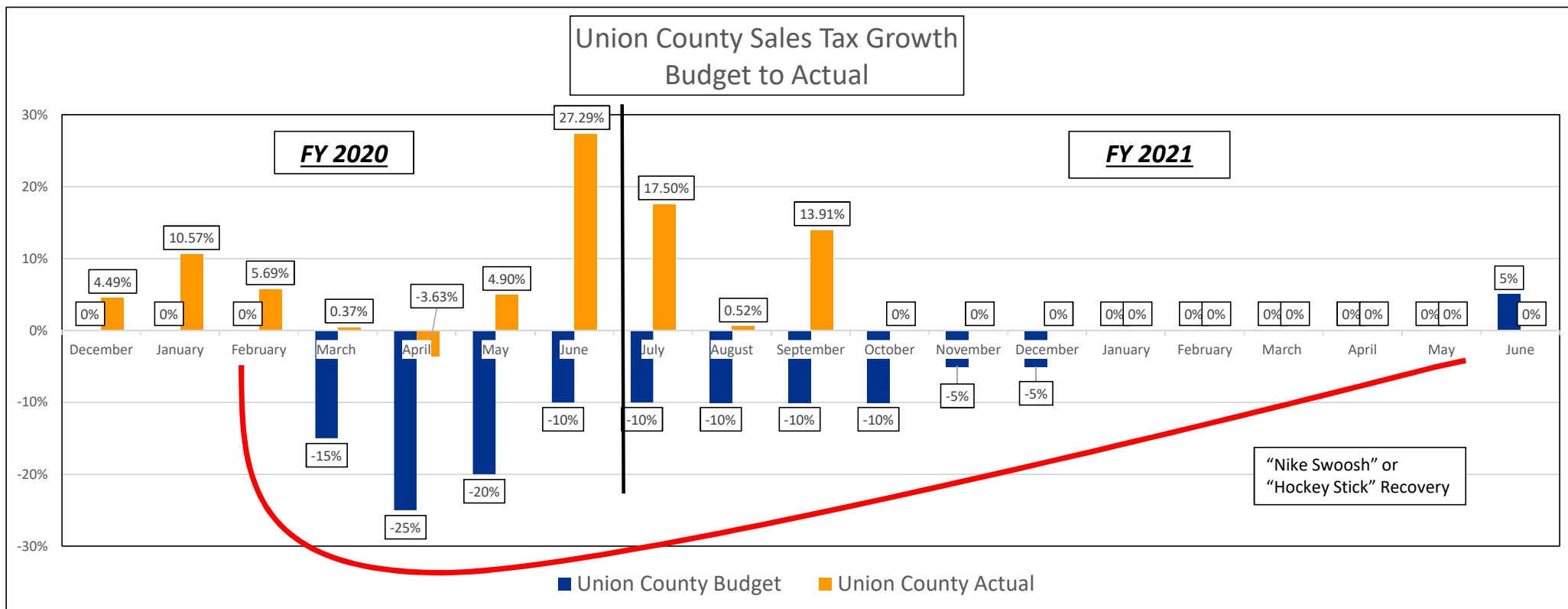
# FY 2021 Sales Tax Expected Results

Month of Sale	FY 2020				FY 2021											
	20-Mar	20-Apr	20-May	20-Jun	21-Jul	21-Aug	21-Sep	21-Oct	21-Nov	21-Dec	21-Jan	21-Feb	21-Mar	21-Apr	21-May	June
(Rev) Expected Collections	3,977,160	2,959,820	3,157,192	3,393,079	3,415,153	3,568,629	3,622,754	3,607,319	3,789,328	3,744,636	3,629,935	3,684,783	4,150,606	3,803,115	4,346,972	5,038,796
Actual Collections	4,150,606	3,803,115	4,139,973	4,798,854	4,458,777	3,985,932	4,585,201									
\$ Collected Above Budget	173,446	843,294	982,781	1,405,775	1,043,624	417,303	962,447									
Expected % Change	-15%	-25%	-20%	-10%	-10%	-10%	-10%	-10%	-5%	-5%	0%	0%	0%	0%	5%	5%
Actual % Change	0.4%	-3.6%	4.9%	27.3%	17.5%	0.5%	13.9%	-10.0%	-5.0%	-5.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%



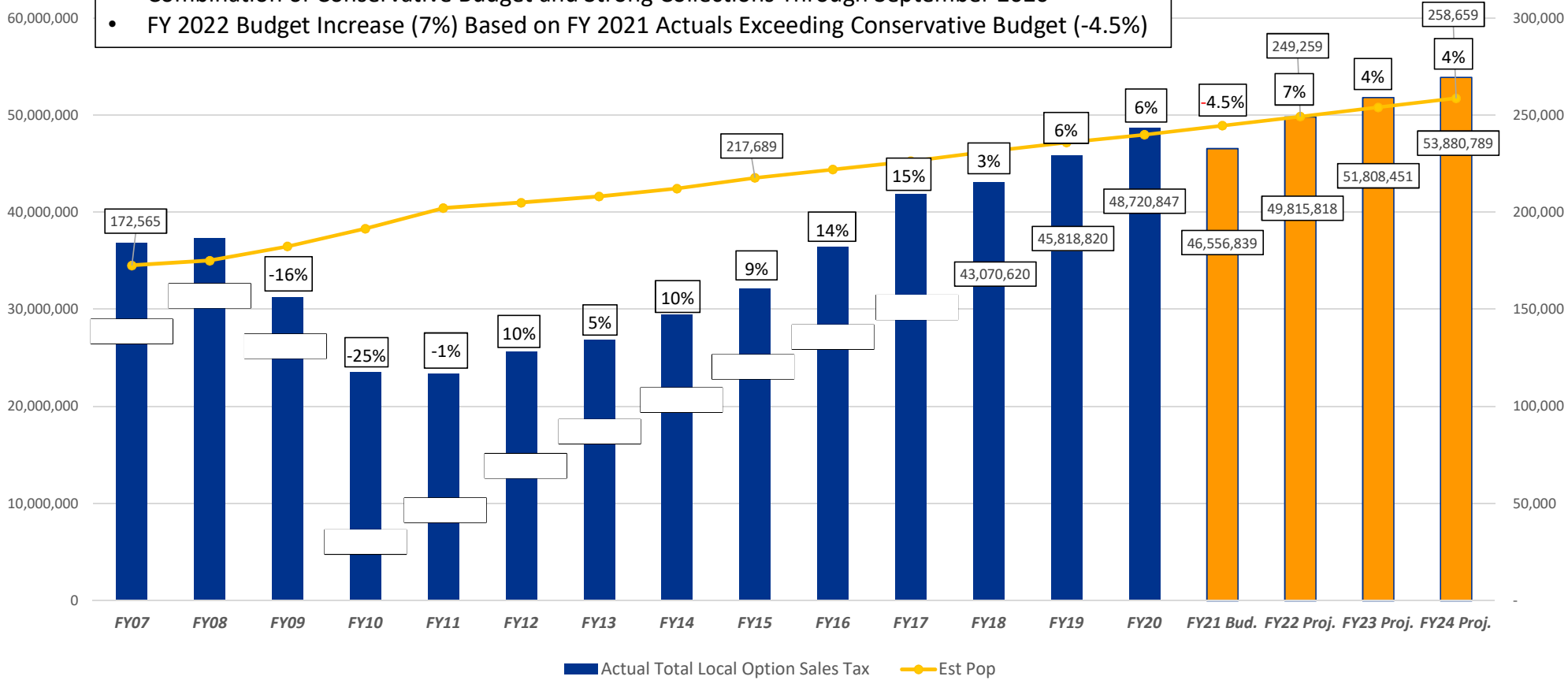
# FY 2021 Local Option Sales Tax Expected Results

- Actuals Have Consistently Outperformed Conservative Estimates
- Will Trend Continue through Q4 of FY 2021?



# FY 2021 Local Option Sales Tax Over Time

- FY 2021 Actual Sales Tax Expected to Exceed COVID-19 Influenced Budget
- Combination of Conservative Budget and Strong Collections Through September 2020
- FY 2022 Budget Increase (7%) Based on FY 2021 Actuals Exceeding Conservative Budget (-4.5%)





# FY 2022 Sales Tax Projection

- No Action to take at this time
- Will Know More as Year Progresses
- Currently Only Three Months of FY 2021 Collections for Review
- Economic Indicators Moving in Positive Direction
  - *(Unemployment Rate, Dow Jones)*
- Continued Uncertainty
  - *Final Election Results, Forthcoming Stimulus, COVID-19, Effectiveness of Vaccine, Additional Lockdowns, Small Business Recovery*
- Provide Another Update Later in the Year
- Likely Strong FY 2022 Growth Over FY 2021 Conservative Budget

# Revenue Assumptions

- **Ad Valorem Growth** – 2.9% (FY21 3.2%, FY21 Collections Slightly Ahead of Trend)
- Additional 1% of Property Tax Growth = \$589,966
- Property Tax Base Growth is Steady (2.9%), Revaluation; Penny Value & Revenue Neutral Rate
- **Sales Tax** – 7.0% Growth; FY19 (6.4%), FY20 (6.3%); *FY21 (-4.5%) COVID*
- *FY21 Trending Above Budget; FY22 (Net Increase of 2.5% Based on Trend)*
- Additional 1% of Sales Tax Growth = \$465,568
- **Intergovernmental Revenue, Unrestricted** (Medicaid Cost Settlement) (5.9%) On Trend
- **Non-Enterprise Charges for Services** (-1.5%) Trend -\$241,734 (PRK, LIB, Building Permits)
- **Interfund Transfers** – (-\$535,018) One Time Payback from UCPS in FY 2021
- **Investment Revenue** – (0.0%) Flat, Bond Markets Uncertain; Soon to Liquidate Large Amount of Cash
- **Fund Balance Appropriation** (\$231,143) No Fund Balance for Operations; Only to Offset Economic Dev. Grants (\$1.8M)

# Expense Assumptions

- **Employee Compensation** – (3% Merit – \$2.4M, Fund Frozen Positions \$1.1M, Market Study (\$350k)
- **Health & Dental Expense** – (Including Retirees) – 7% Increase for Insurance Fund
- **OPEB** – Fully Fund FY 2022 Obligation \$3.95M, Increase of FY 2021 Amount of \$0
- **Operating Expense** – 3.6% Mostly New Building Operations \$1.2M,
- **GF Debt Service** – -1.5% Scheduled Decrease
- **Contracts, Grants, Subsidies** – 2.6% Increase for SPCC, OSA's, Community Partners and Business Grants
- **Interfund Transfers Out** – Pay Go at FY 2021 Level, May Increase Based on CIP Priorities, No Transfers to Fire
- **Capital Outlay** – Vehicle, Equipment, Furniture Budgets Held Flat as Starting Point
- **Fund Balance Contribution** – -\$5.25M, FY 2021 OPEB Holiday Was One Time Benefit
- No Additional CARES Funding Included in Budget

# FY 2022 Starting Budget Position

FY 2022 Initial Projected Revenue	175,161,532	(3.5% Total Growth or \$5,903,472)
-----------------------------------	-------------	------------------------------------

FY 2022 Initial Projected Expense	174,658,239	(3.2% Total Growth or \$5,400,179)
-----------------------------------	-------------	------------------------------------

Starting Budget Position	503,294	(.3% Total Revenue Surplus)
--------------------------	---------	-----------------------------

“Potential” Manager’s Holdback	(500,000)	(3% non-Salary/Ben, non-Capital, non-Debt etc.)
--------------------------------	-----------	---

Manager's Pool	\$1,003,294	(Available for Unforeseen Changes before June)
----------------	-------------	--

# FY 2022 (3%) Potential Manager's Holdback

- Departments Received Their **FY 2022 SL1 Base Budget Worksheet**, which Included two sections:
- Section 1 titled - FY 2022 SL1 Base Budget
- Section 2 titled - FY 2022 “Potential” Manager’s Holdback

## **FY 2022 SL1 Base Budget Section**

- Balance all SL1 realignments/adjustments in worksheet in preparation to transfer into OpenGov proposal when ready
- Serve as a template for transfer of revenue/expense budgets to OpenGov Proposal
- Verify that all necessary org/objects needed exist in department budget template
- Keep as a reference document during the budget process
- Serve as a communication tool between departments and your assigned budget analyst
- Includes reference tabs with helpful reference data to help you navigate the process (*Prior Year Descriptions/Justifications and list of 1x items removed from base budget*)

## **FY 2022 “Potential” Manager’s Holdback Section**

- Communicate department’s 3% holdback amount
- Make adjustments in worksheet to meet 3% holdback amount
- When complete, return worksheet to budget analyst
- **No reductions will be made to the SL1 Base Budget**
- Worksheet will be kept offline and outside of the budget system
- Reductions **will only be accessed** and considered if a **significant** budgetary event happens before budget adoption
- Provide County Manager an additional budget balancing tool to consider if needed
- **IN CASE OF EMERGENCY, BREAK GLASS**
- **COMMUNICATION IS KEY**

# FY 2022 Budget Process Calendar

- Budget Calendar will guide process, will vary based on need
- Budget Workshops will be scheduled in advance as needed to share information with Board

<b><i>FY 2022 Budget Process Working Calendar</i></b>	
<b>Date</b>	<b>Topic</b>
10/30/2020	Department Super User OpenGov Preview
11/19/2020	OpenGov User Training for Departments Users
12/4/2020	Budget Kickoff (Virtual Meeting with Departments)
12/7/2019	Budget System Open for Departments to Begin Budget Development
12/7 - 2/1/2020	Budget Team Available to Meet with Departments to Discuss Process
2/1/2021	All Budget Worksheets Due and Input in OpenGov <b><i>(SL1, 2&amp;3 and CIP)</i></b>
3/8-26/2021	Executive Team Working with CIP Group to Prioritize
<b><i>4/30/2021</i></b>	<b><i>ALL FUNDS AND CIP ARE BALANCED</i></b>
<b><i>5/31/2021</i></b>	<b><i>MANAGER'S PROPOSED BUDGET PRESENTATION to BoCC</i></b>
6/7/2021	Public Hearing on the Budget
<b><i>6/14/2021</i></b>	<b><i>BUDGET ADOPTION</i></b>



*Questions?*

