

Union County Government

EST. 1842

FY 2021 Budget Workshop

December 9, 2019

Blake Hart

Director of Budget Management



Today's Agenda

- Economic Outlook
- Union County Financial Status
- FY 2021 Budget Assumptions
- Departmental Targets
- Budget Calendar
- Performance Management/Dashboards

BOCC Strategic Objectives

Public Safety – In concert with our community partners provide those essential services that protect the public’s health, safety, and welfare.

Community Consensus – By developing relationships based on mutual trust and understanding, engage appropriate stakeholders to identify and successfully implement programs and initiatives that reflect the community priorities.

Economic Development – Through common vision and direction become a more business friendly, economically vibrant and sustainable community by fostering development of a qualified workforce and infrastructure capacity to support future and current economic sustainability and growth.

Sustainability – Through collaboration with community partners, foster an environment that promotes affordability of services, conservation of resources, and preservation of a high quality of life to support and enrich a diverse and productive population.

Organizational Strengthening – Develop and maintain a highly engaged workforce through shared values and clarity of purpose, with the tools, training and resources that support skills development, knowledge sharing and retention, and employee investment.

County Manager's Core Values

- Maintain Fiscal Discipline
- Invest in Core Services
- Strategic Framework for Internal Business Processes

View of the National Economy

Positive Indicators

- US-BLS November Jobs Report – Added 266k, exceeded expectations, “Squashed lingering concerns about imminent recession” - (The Conference Board)
- National unemployment rate – 3.5% (21st consecutive month sub 4%); Union County unemployment rate – 3.1%, State 3.5%
- U.S. Economy in the 11th year of economic expansion, coming out of the Great Recession of 2008
- Dow passed 28,000, inflation consistently below 2%, consumer confidence is high (biggest bulwark against recession)
- Average Hourly Wages increasing 3.1% over previous year
- 60% of employers plan to add positions in 2020, only 4% are planning cuts (Vistage Employer Survey)
- Newly created jobs are represented in nearly every sector in the economy
- Strong competition for workers, driving up wages for workers on the lower end of the pay scale
- Strong economy making hiring new workers difficult at all skill levels (people have choices)
- Many workers are coming back into the workforce (retirees, stay at home parents, unskilled workers retraining to be more competitive, etc.,)
- Mortgage rates continue at historic lows, Federal Reserve has indicated they will be patient and avoid rate increases

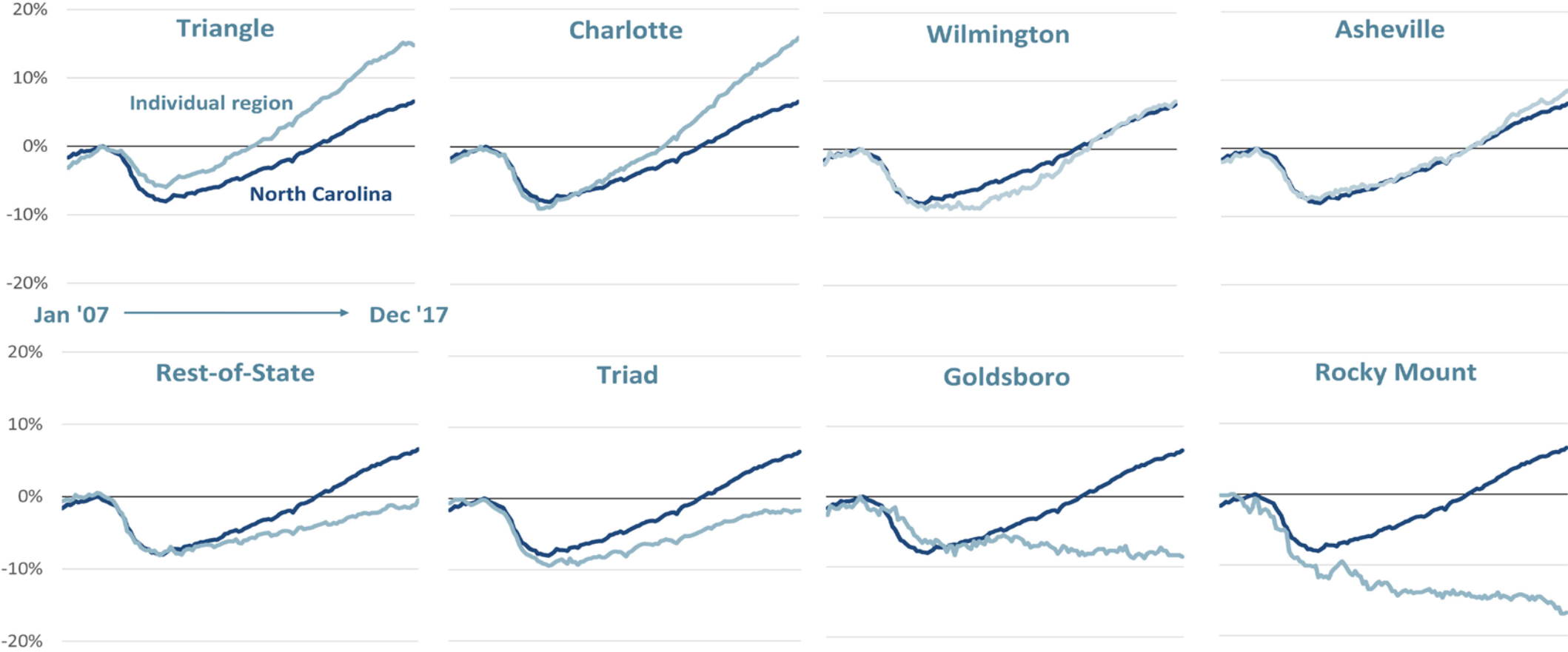
Concerns

- Current U.S. economic expansion is longest in history, has to slow down at some point
- Will it be a soft leveling off or a crash landing?
- Inverted Yield Curve as a predictor of recession
- Concern over trade deal negotiations with China, delay of the U.S. – Mexico – Canada – Agreement (USMCA); NAFTA Update
- Impact of Presidential Impeachment, Unrest in the Middle East, Terrorist Attack, etc.,

North Carolina Recovery

Job Growth Strongest in Triangle & Charlotte, Many Areas Still Struggling

Change in Nonfarm Payroll Employment by Metro Area



Data Source: U.S. Department of Commerce, Bureau of Labor Statistics. Rest-of-state includes Hickory, Jacksonville, Burlington, and Fayetteville as well as non-metro areas.

Population & Comparison

Union County Population

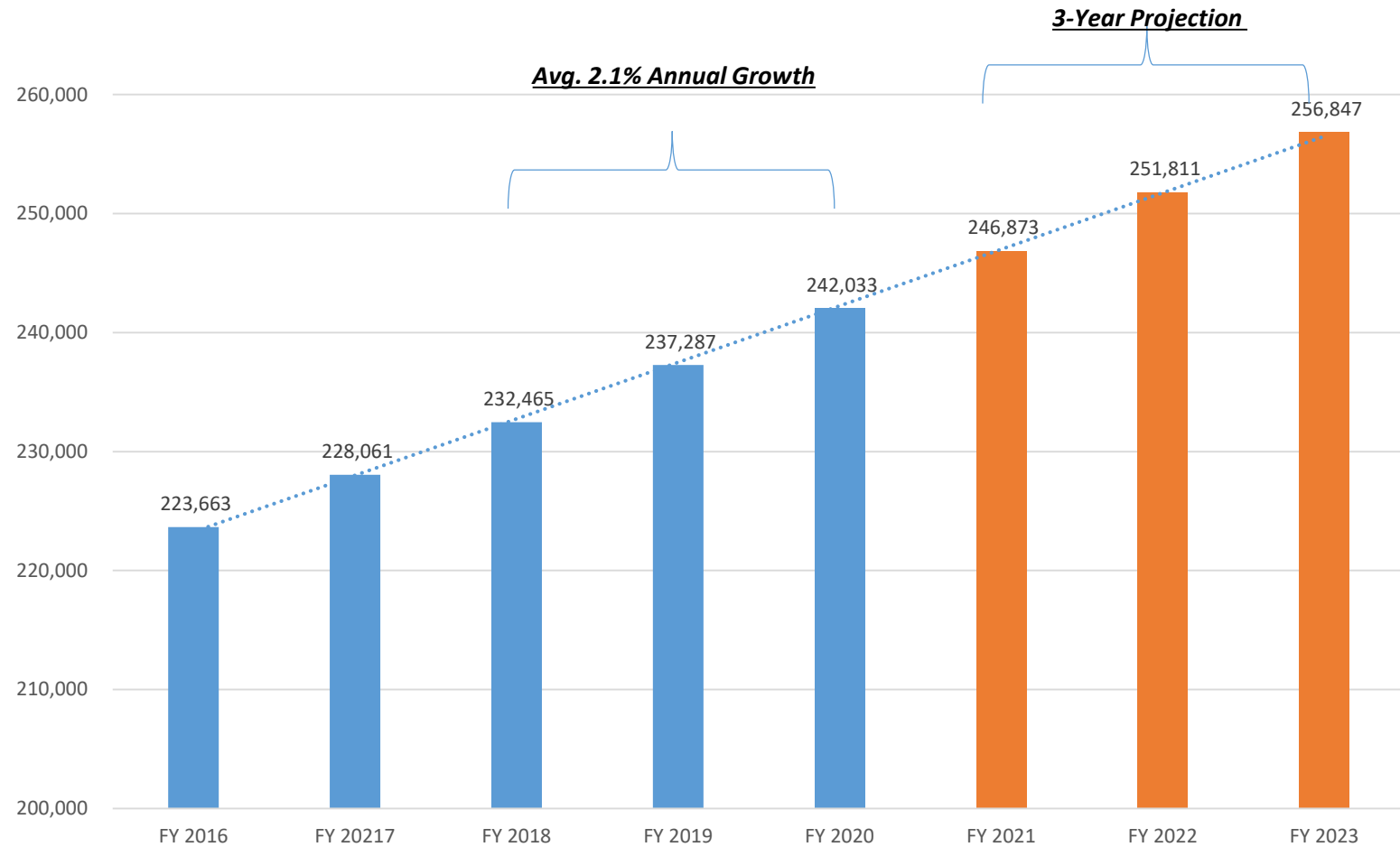
- 2019 – 237,287
- 8th largest county in the State
- 24.0% growth since 2009
- 2.1% Average 3-year growth rate

**NC Office of Management & Budget - Demographics*

State Rankings, Tier 3:

- 11th highest population growth since 2015
- 1st Median Household Income (\$77,875)
- 8th Lowest Unemployment Rate 3.1%
- State wide Unemployment Rate at 3.5%
- 34th Highest Tax Base per capita

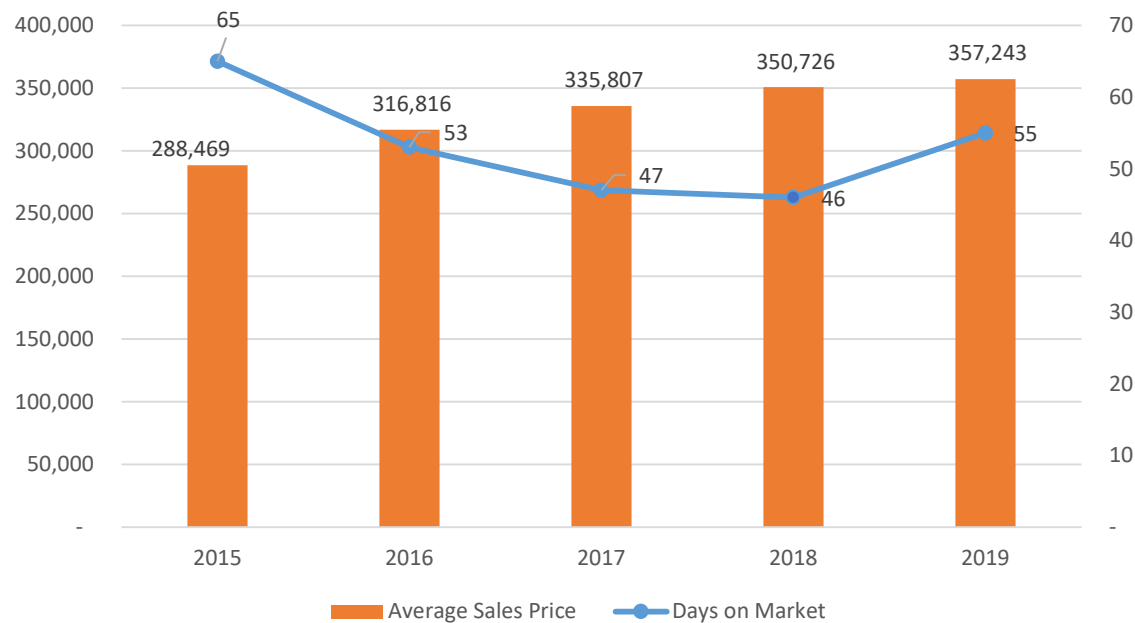
**NC Department of Commerce – Labor & Economic Analysis*



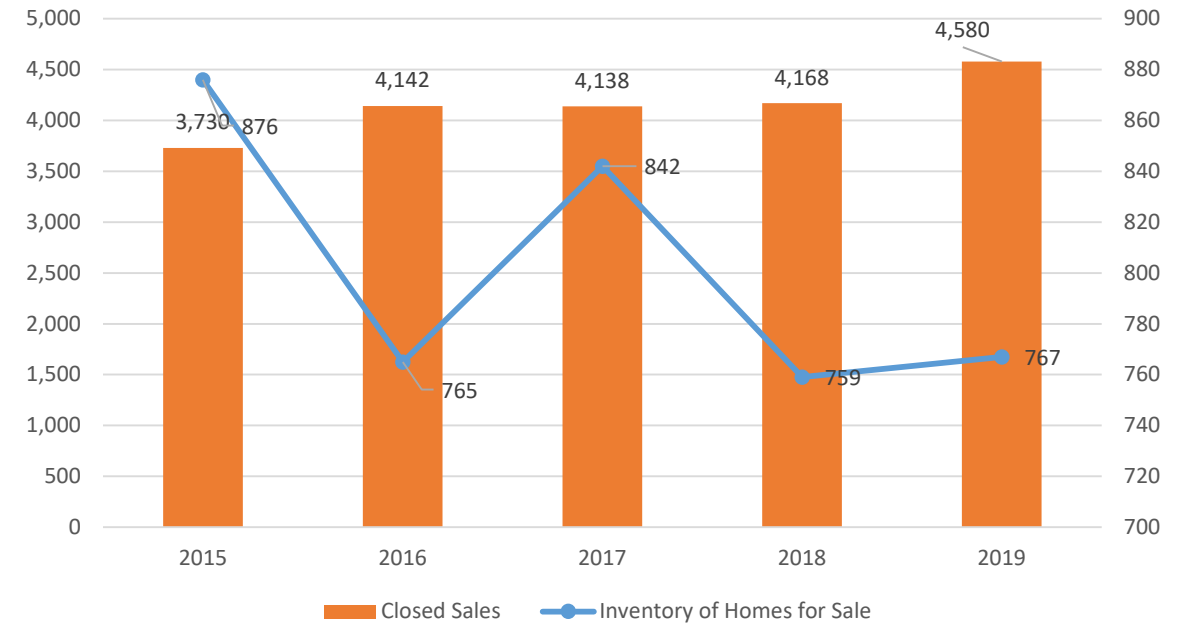
County Real Estate Market Analysis

- # of Days on the market until sold declined 15% from 65 days in 2015 to 55 days in 2019
- Average home sales price is up 24% from 2015, from \$288,469 to \$357,243
- Inventory of Homes for Sale is trending down (decreasing supply + steady demand = price increases)
- Closed Home Sales is up 4.9% over previous year; 97% of original list price received
- *Data through end of October*

Residential Sales Indicators



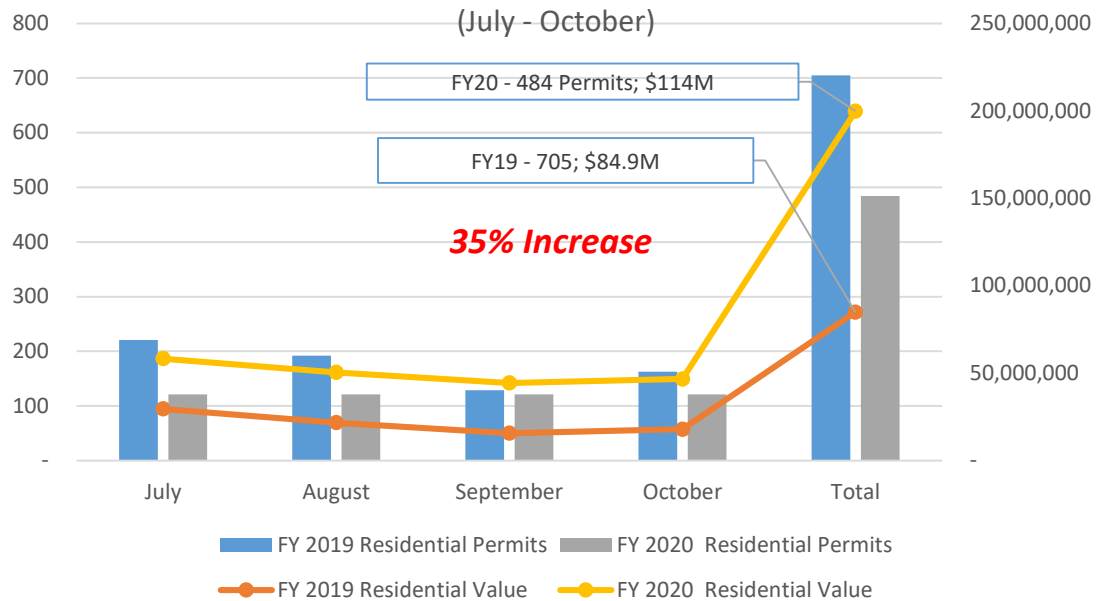
Residential Inventory Turnover



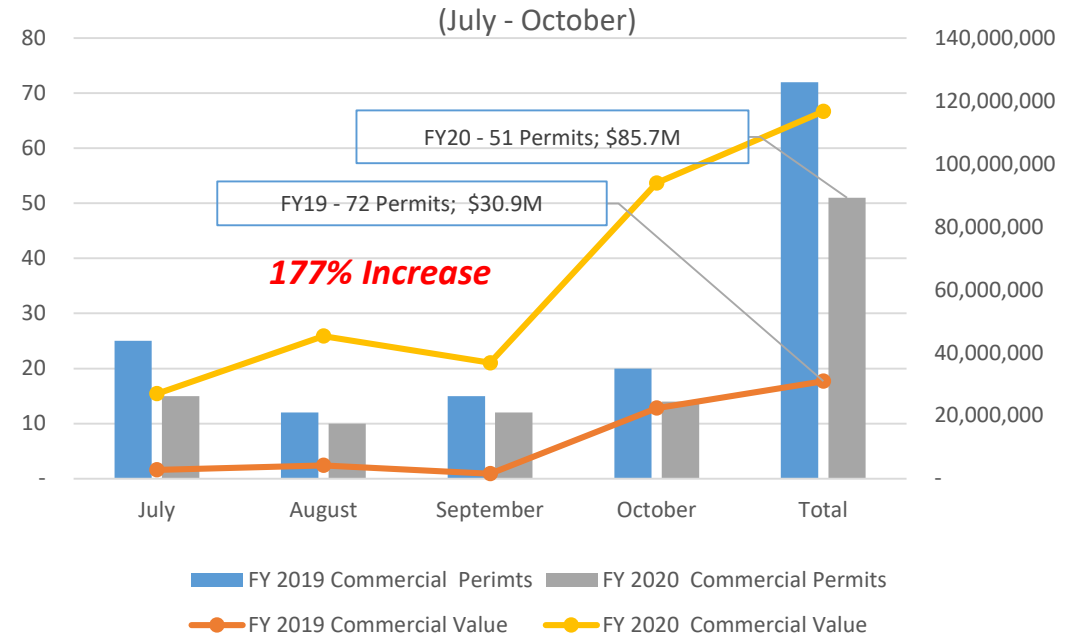
Residential & Commercial Building

- Total Building Permits issued rose by 6.5% from FY 2015 to FY 2019 (3,696 – 3,937)
- Total **Value** of Building Permits issued increased 62.2% from FY 2015 to FY 2019 (\$370M - \$601M)
- FY 2020 Trends are very positive, especially in commercial **new construction** (**177%** increase in Value through October FY 2019)
- FY 2020 Trends are also positive, especially in residential **new construction** (**35%** increase in Value through October FY 2019)
- Feb/March numbers are best indicator of strong growth or not

FY 2019 -20 Residential Permits



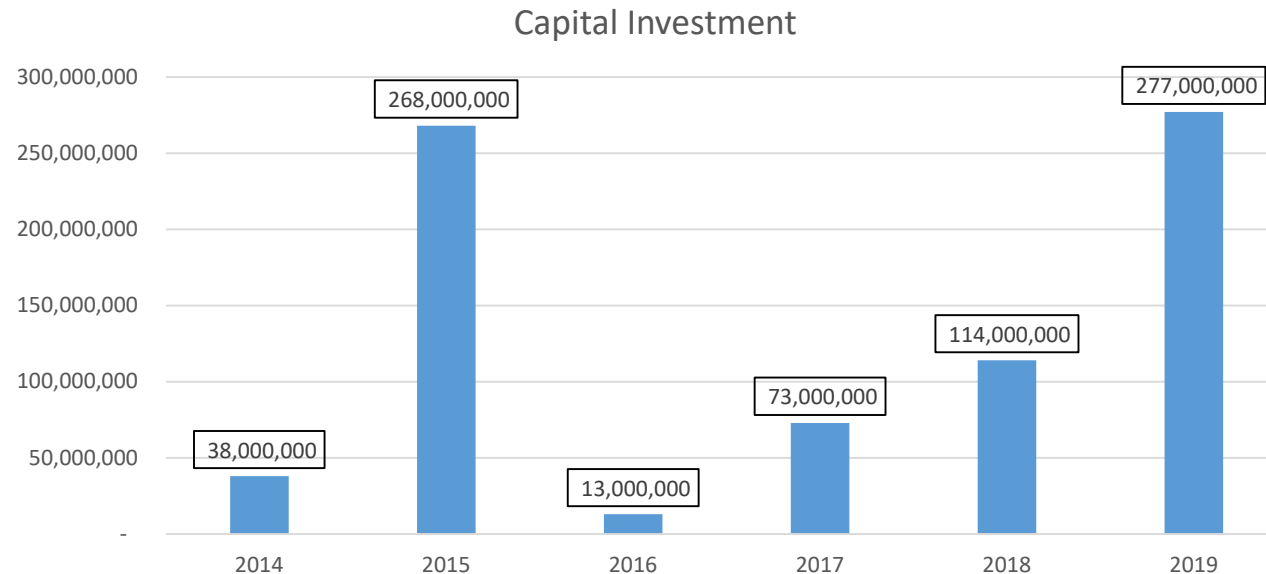
FY 2019 -20 Commercial Permits



Economic Development

- 100 total new and existing economic development projects; FY 2020 - 60
- 1,912 new workers as a result of economic development projects since FY2015; FY 2020 - 1697
- \$810 million in total capital investment since 2014; FY 2020 - \$533 million
- \$5.9 million in tax base growth from approved projects (project investment x tax rate); FY 2020 - \$3.9 million
- *2019 Investments from mix of new and existing companies, existing industry relationships with development community, referrals, Piedmont Innovation Park, everything “clicked” for Union County*

Capital Investment



Real Property Assessed Valuation (in \$ Thousands)

- Ad Valorem revenue represents 34.5% of total general fund revenue; compared to 57.8% in FY 2008
- **Preliminary** FY 2021 assessed valuation projected at 3.0% growth rate; FY 2020 growth rate of 3.6%
- Taxable property divided 87.5% Residential vs. 12.5% Commercial
- The largest increase in Personal property value is Motor Vehicle at 4.0% over FY2020
- Public Service Property held flat at FY 2020 level due to the Sales to Value Ratio Adjustment

| Fiscal Year | Real Property | | Personal Property | | Public Service Property | Total Taxable Assessed Value | % Change | Total Tax Rate |
|--------------------|-------------------|------------------|-------------------|------------------|-------------------------|------------------------------|-------------|----------------|
| | Residential | Commercial | Motor Vehicles | Other | | | | |
| FY2015 | 18,273,843 | 2,676,766 | 2,111,720 | 1,250,481 | 352,249 | 24,665,059 | 0.1% | 0.7614 |
| FY2016* | 17,219,581 | 2,553,722 | 2,352,928 | 1,283,277 | 387,277 | 23,796,785 | -3.5% | 0.7765 |
| FY2017 | 17,728,191 | 2,549,763 | 2,529,384 | 1,358,790 | 413,136 | 24,579,264 | 3.3% | 0.7665 |
| FY2018 | 18,233,252 | 2,621,248 | 2,615,387 | 1,514,990 | 420,816 | 25,405,693 | 3.4% | 0.7810 |
| FY2019 | 18,851,451 | 2,693,966 | 2,736,204 | 1,524,403 | 427,253 | 26,233,277 | 3.3% | 0.7309 |
| FY2020 | 19,440,837 | 2,774,889 | 3,094,483 | 1,640,685 | 435,798 | 27,386,693 | 3.6% | 0.7309 |
| FY2021 | 20,022,118 | 2,858,136 | 3,218,262 | 1,678,421 | 435,798 | 28,212,735 | 3.0% | 0.7309 |
| Growth Rate | 3.0% | 3.0% | 4.0% | 2.3% | 0.0% | 3.0% | 3.0% | 0.0% |

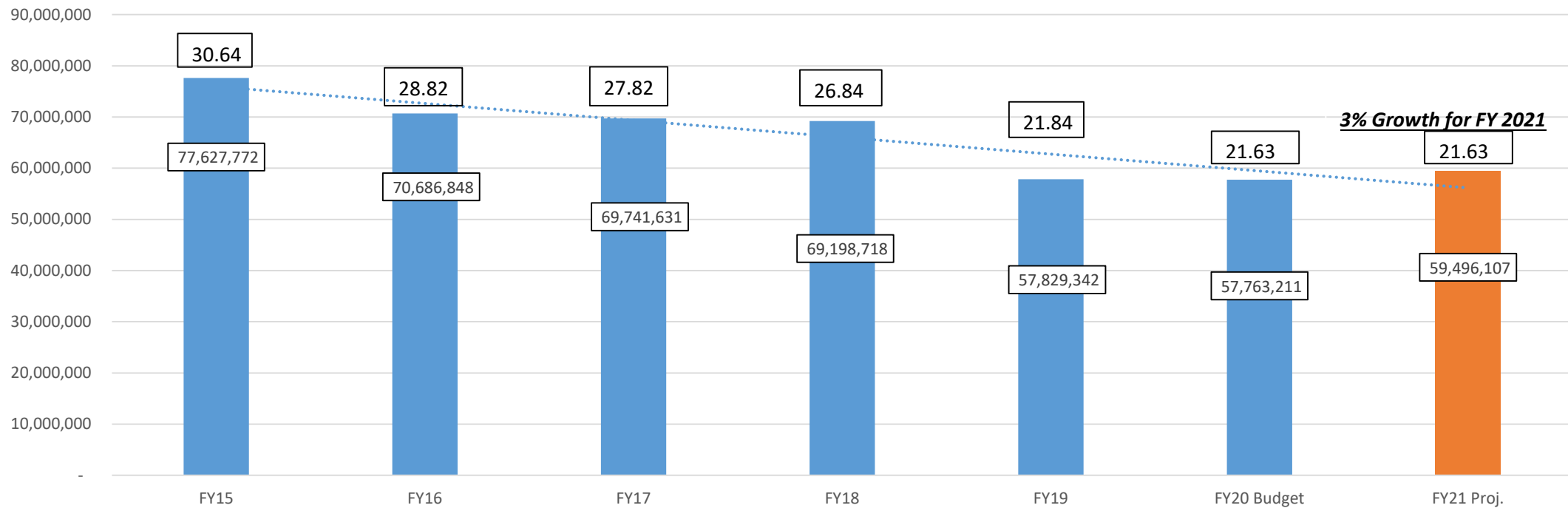
*Revaluation Year

**Preliminary Projected Number

Ad Valorem Revenue Over Time

- Real Estate Market is strong, continued growth around the county
- Growing amounts of Commercial Capital Investment
- Building Permits for new construction showing solid growth
- Decrease in Ad Valorem revenue only due to tax rate reduction over time
- Additional 1% of Value = \$578,000 in expected revenue

| <i>% of Total General Fund Revenue</i> | | |
|--|----------------|----------------|
| <i>Revenue Type</i> | <i>FY 2008</i> | <i>FY 2020</i> |
| Ad Valorem | 57.8% | 34.5% |
| Local Option Sales Tax | 17.5% | 29.1% |



Ad Valorem Tax Rates

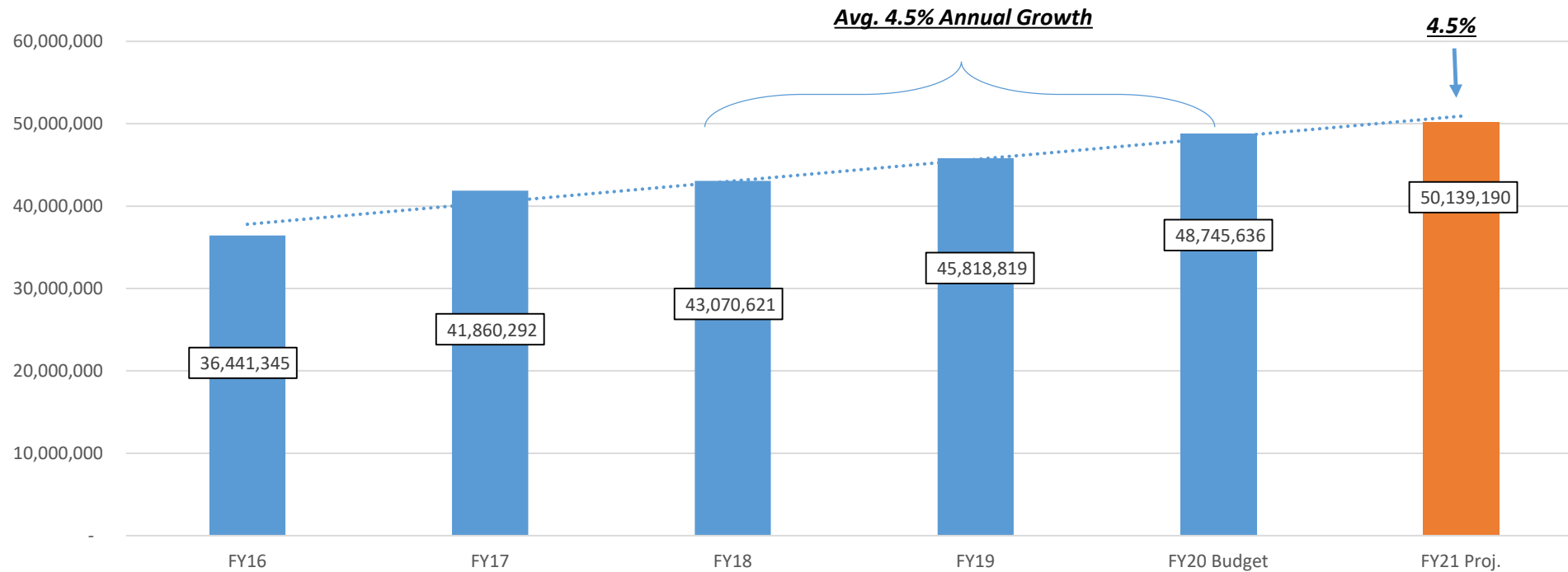
- School Tax Rate decreased **1.22** penny since FY 2016
- General County Tax Rate decreased **7.19** pennies since FY 2016
- Voter Approved Debt Tax Rate increased by .21 pennies in FY 2020; (Sheriff Admin and Emergency Services Buildings)
- Based on policy, voter approved tax rate will increase with the approval of voter approved debt projects
- EMS Tax Rate decreased **.30** pennies in FY 2020, Tax Rate Swap
- Countywide Fire Tax Rate increased .30 pennies since FY 2020, Tax Rate Swap
- Total Countywide Tax Rate decreased **4.56** pennies since FY 2016

| <i>Countywide Rates</i> | <i>Adopted FY 2016</i> | <i>Adopted FY 2017</i> | <i>Adopted FY 2018</i> | <i>Adopted FY 2019</i> | <i>Adopted FY 2020</i> | <i>Change Over Time</i> |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| School's Tax Rate | 45.72 | 45.72 | 44.50 | 44.50 | 44.50 | (1.22) |
| General County Tax Rate | 28.82 | 27.82 | 26.84 | 21.84 | 21.63 | (7.19) |
| Voter Approved Debt Rate | | | 3.09 | 3.09 | 3.30 | 3.30 |
| Emergency Medical Services Tax Rate | 2.63 | 2.63 | 2.63 | 2.63 | 2.33 | (0.30) |
| Countywide Fire Tax Rate | 0.48 | 0.48 | 1.04 | 1.03 | 1.33 | 0.85 |
| Total Countywide Tax Rates | 77.65 | 76.65 | 78.10 | 73.09 | 73.09 | -4.56 |

Local Option Sales Tax

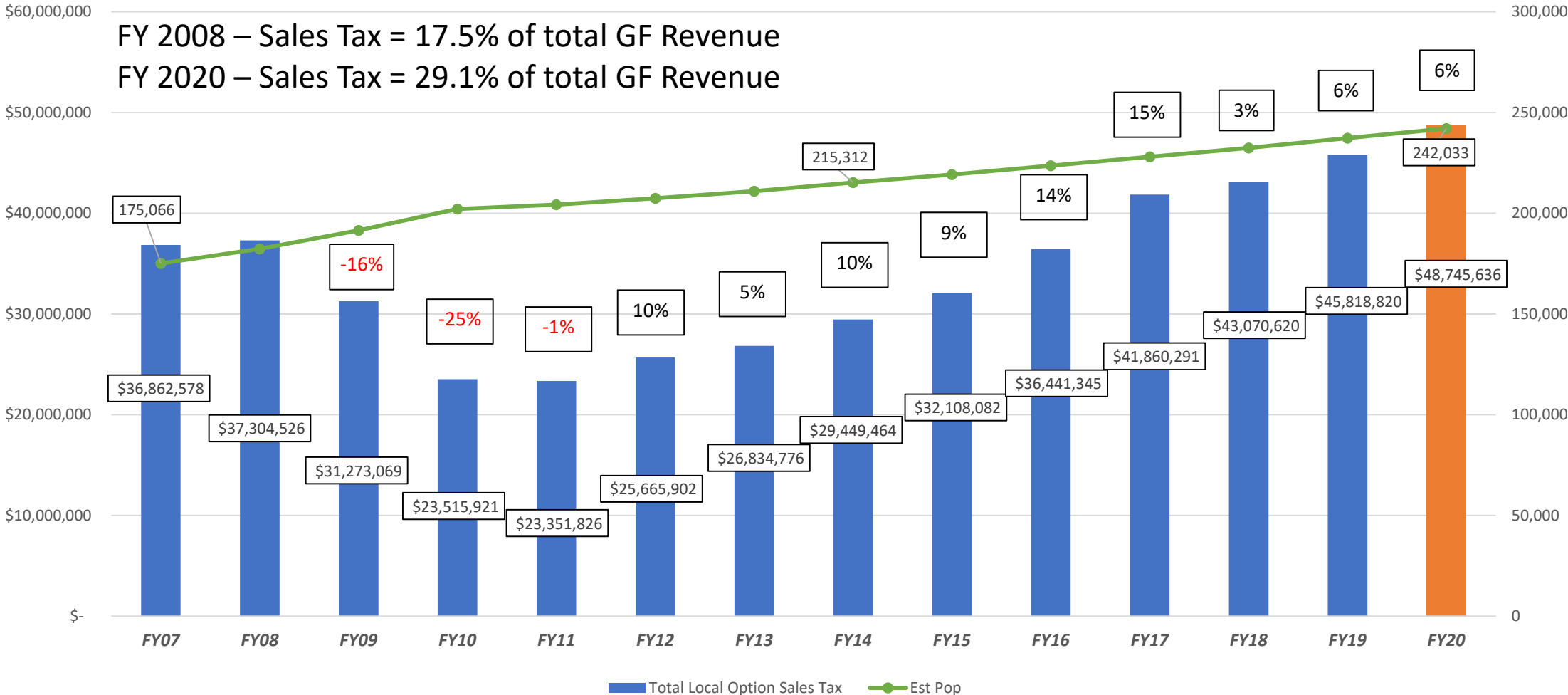
- Represents 29.1% of total General Fund Revenues; compared to 17.5% in FY 2008
- Consumer Confidence is high, reflected in steady growth in sales tax
- Union County General Fund Sales Tax (\$) millions – Expect Steady Growth (4.5% - 6.0%)
- Additional 1% =\$487k

| <i>% of Total General Fund Revenue</i> | | |
|--|----------------|----------------|
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Elasticity of Local Option Sales Tax

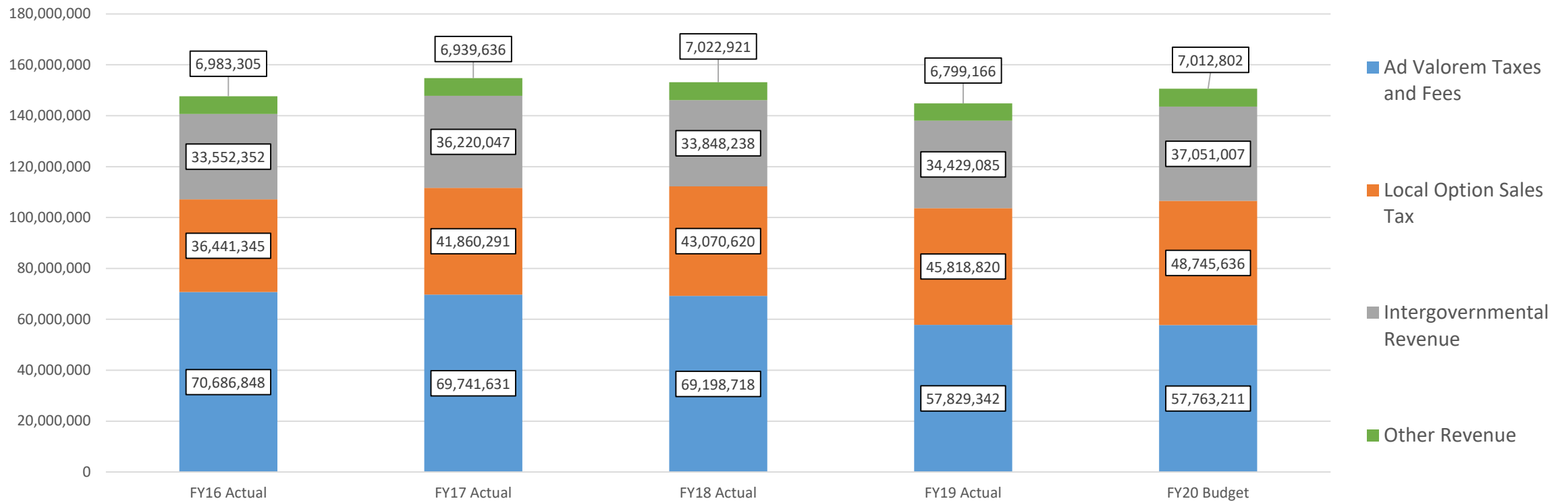
Union County Local Option Sales Tax Revenues, FY 2007-20
(Articles 39, 40, 42 & 44)



*FY 2020 is Budget, previous years are actuals

Core Funding by Source

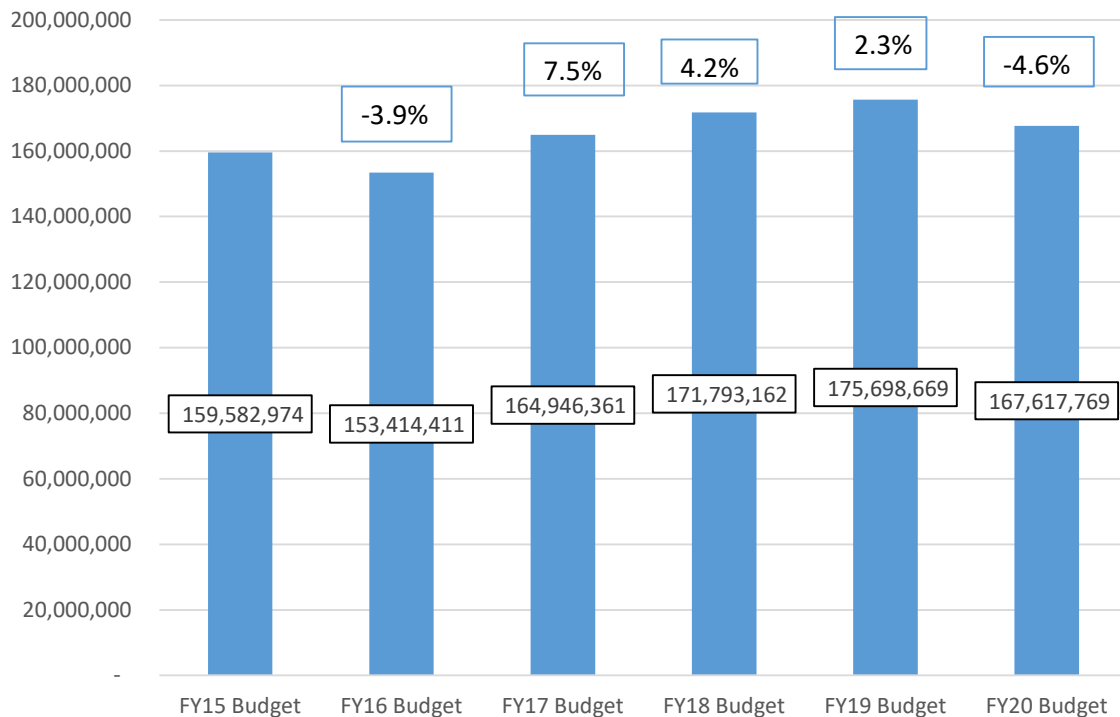
- Ad Valorem Revenue has decreased by \$12.9M or -18.3% since FY 2016; Sales Tax has increased \$12.3M
- General Fund County Revenues have increased \$6.9M or 4.4% since FY 2016
- Only true growth to revenue has been in net increase to Intergovernmental Revenue and Non-Enterprise Charges for Service
- Change in Ad Valorem Taxes & Fees revenue due to tax rate reduction in FY 2019 Budget



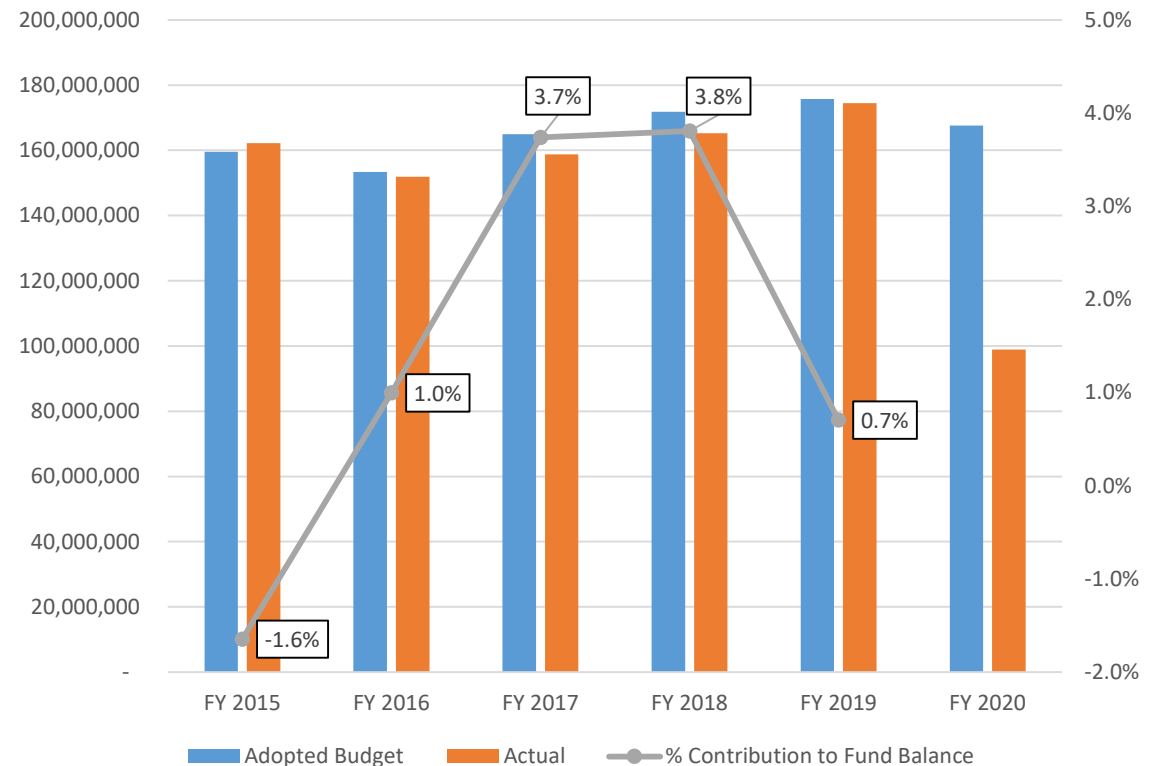
General Fund Expenditures

- General fund budgeted expenditures decreased by 4.6% between FY 2019 and FY 2020
- General fund average contribution to fund balance FY 2015-19 of 1.5% (adjusted for early debt redemption)
- General fund includes County departments, historical debt service, inter-fund transfers, PayGo, etc.,

FY 2016-20 General Fund – Adopted Expense Budget



FY 2016-20 General Fund – Adopted Budget to Actual



FY 2021 Revenue Assumptions

- **Ad Valorem Growth** – 3.0% (FY 2020 3.6%, FY 2020 collections slightly ahead of trend)
- Additional 1% of Property Tax Growth = \$577,632
- Property Tax base growth is steady, population growth and increasing property valuations
- **Sales Tax** - 4.5% growth (6% actual growth since FY 2019, trending on budget FY 2020)
- (FY17 to 18 – 2.9%, FY18 to 19 – 6.4%, FY19 to 20 – 6%, **FY 2020 to 21 – 4.5%**)
- Sales Tax Estimate includes \$800k loss for FY 19 tax cut
- Additional 1% of Sales Tax Growth = \$480,000
- **Non-Enterprise Charges for Services** – 5.5% based on trend \$564,989 to date (trending up)
- **Fund Balance Appropriation** – (-1,665,965) No use of Fund Balance for SHF Vehicles/Fire 1x purchases.

FY 2021 Expense Assumptions

- **Salary & Benefit** 3% of merit – \$5.8M, funding for FY20 ½ year funded positions
- **Health & Dental Expense** (including retirees) – 5% Growth for each (\$575k increase for all)
- **OPEB** – Decrease Funding of ARC to Required Level (-\$2.5M Reduction)
- **GF Debt Service** expense flat at FY2020 level (assumes \$4.6M use of bond premiums to offset increase)
- **Pay Go Flat** \$4.2M level funding based on FY 2020 Amount
- Possible **Organizational Technology Reserve** \$100,000
- **Capital Outlay** – 15% or \$379,392 for SHF vehicles.
- **Contracts, Grants, Subsidies** – Economic Incentive Grants offset with fund balance

FY 2021 Expense Assumptions

- **Interfund Transfers Out** – (-\$769,199) No transfers from General Fund to Fire Fund for 1x Expenses
- **BOCC Contingency** - \$500k for Mid-Year Needs, before fund balance. BOCC approval needed for use
- General Revenues and Expense adjusted based on trend
- Assume no FTE growth at start point (New FTE Requests in SL3)
- All add back from Target (SL1) requests will be submitted as an SL2 request

FY 2021 Starting GAP

| | | |
|--|--------------------|---|
| <i>FY 2021 Initial Projected Revenue</i> | <i>170,195,098</i> | <i>(1.5% total growth or \$2,577,329)</i> |
|--|--------------------|---|

| | | |
|--|--------------------|---|
| <i>FY 2021 Initial Projected Expense</i> | <i>171,023,322</i> | <i>(2.0% total growth or \$3,405,553)</i> |
|--|--------------------|---|

| | | |
|----------------------------|------------------|--|
| <i>Starting Budget GAP</i> | <i>(828,224)</i> | <i>(.49% total Expense Budget; expense over revenue)</i> |
|----------------------------|------------------|--|

| | | |
|-------------------------|--------------------|--|
| <i>Target Reduction</i> | <i>(1,000,000)</i> | <i>5% non-Salary/Ben, non-IDC, non-Capital, non-debt etc.,</i> |
|-------------------------|--------------------|--|

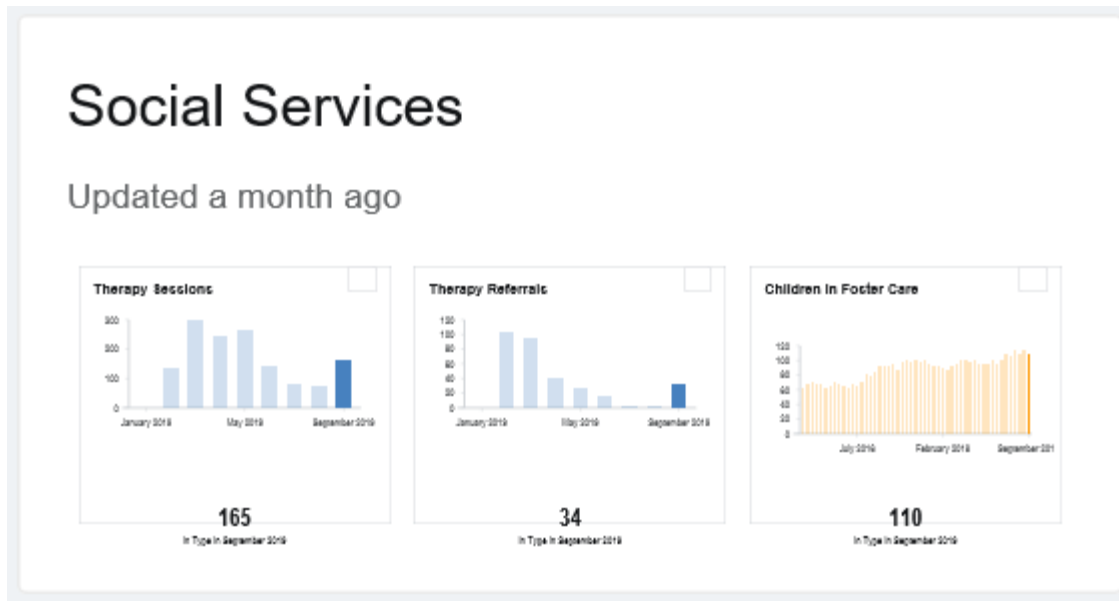
| | | |
|-----------------------|------------------|--|
| <i>Manager's Pool</i> | <i>\$171,776</i> | <i>Available for Budget Enhancement Requests (.1% Exp)</i> |
|-----------------------|------------------|--|

FY 2021 Budget Calendar

| Date | Topic |
|-------------------------|---|
| 11/13/2019 | Community Partner Budget Process Kickoff Meeting |
| 12/3/2019 | Budget Kickoff Meeting with Departments (Receive Budget Manual, Targets, Position Control Reports, 1st Salary Projection) |
| 12/3/2019 | Budget System Open for Departments to Begin Budget Development (System will close on January 31 st , two months) |
| 12/2/2019 | Volunteer Fire Department Budget Process Kickoff Meeting |
| 12/3/4/2019 | Munis Training for Department Budget Staff |
| 12/9 -13/2019 | Budget Team available to meet with departments to discuss targets and any other items |
| 1/31/2020 | Department, Community Partner, VFD Budget Requests, Expansions, and Narratives due for Review (SL1, 2 & 3) |
| 2/24/2020 | Executive Team and Departments Provided Working Documents |
| 3/2-20/2020 | Executive Team to Meet With Departments, VFD's? (Place Holder if needed again) |
| 3/23-27/2020 | Leadership Team Working with CIP Group to Prioritize |
| 3/31/2020 | Department Enhancement Request Decisions Made |
| 4/3/2020 | Balancing All Other Funds - With County Manager (Start with Fire) |
| 4/10/2020 | Balancing General Funds - With County Manager |
| <u>4/10/2020</u> | <u>ALL FUNDS AND CIP ARE BALANCED</u> |
| 4/17/2020 | Draft County Manager's Proposed Document to Leadership Team for Review |
| 5/1/2020 | County Manager's Proposed Document to BoCC |
| <u>5/4/2020</u> | <u>Manager's Proposed Presentation to BOCC</u> |
| 5/18/2020 | Public Hearing on the Budget |
| 5/25/2020 | Budget Adoption |
| 7/31/2020 | Adopted Budget Book Printed |

Performance Management

- Performance Budgeting links resources with action to produce outcomes
- Performance measures track output, efficiency, effectiveness and customer service
- Measure and track performance, establish baseline, set performance targets to compete for increased results
- Dashboards tool will track and report results to Executive Leadership
- OpenGov Analytic Tool and Dashboard



Questions?

