

Buncombe County

Financial Update



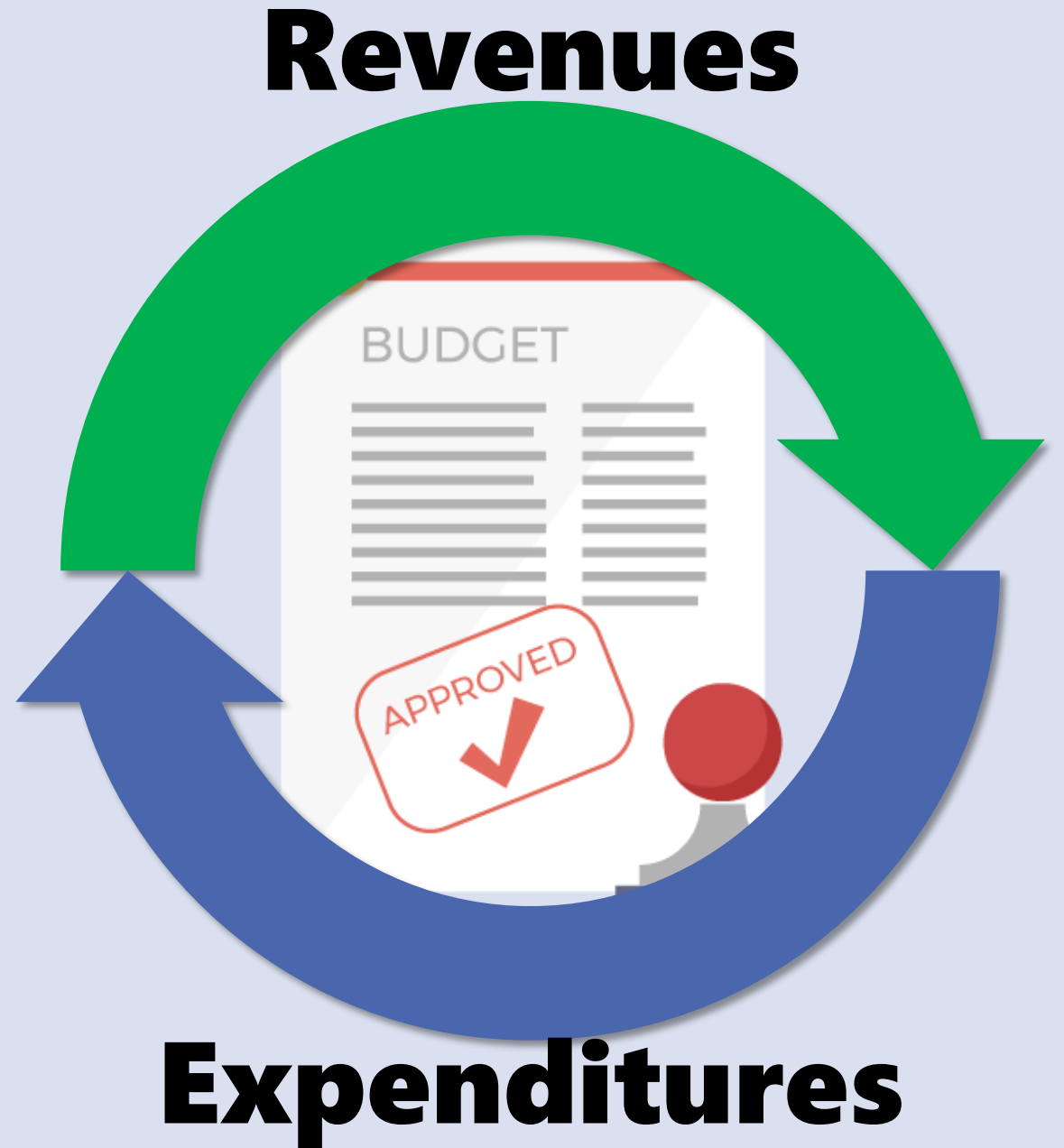
FINANCIAL STABILITY

FINANCIAL OUTLOOK

HORIZON ISSUES

FINANCIAL **STABILITY**

Each year a new **budget** is created and adopted, continuing the cycle of **earning** and **spending**



This **financial cycle** drives everything the county does



From buying
things like
school books

FY2017 Total Education Funding

\$75.3M



fueling **patrol**
cars and
ambulances



FY2017 Total Public Safety Spending

\$63.7M

and paying
employee
salaries



\$129.5M

FY2017 Total Salaries & Benefits

All of these activities rely on money being **there** when it's **needed**



So how do we know our finances are **healthy**?



To start, we should look at **how well** we work within our budget



At the end of
last year
spending
came in 4.5%
under budget

4.5%

**Under
Budget**

(fiscal year 2017)



Here's our
spending
budget vs.
year end

4.5%
**Under
Budget**

(fiscal year 2017)

\$313.6M budgeted

\$299.5M spent



We have come
in an average
of **3.9%** under
spending
budget for the
past **10** years

3.9%
**Under
Budget on
Average**

(10 year average)



3.9%
Under
Budget on
Average

(10 year average)

This is one
measure
indicating good
financial **health**



But what about the
future?

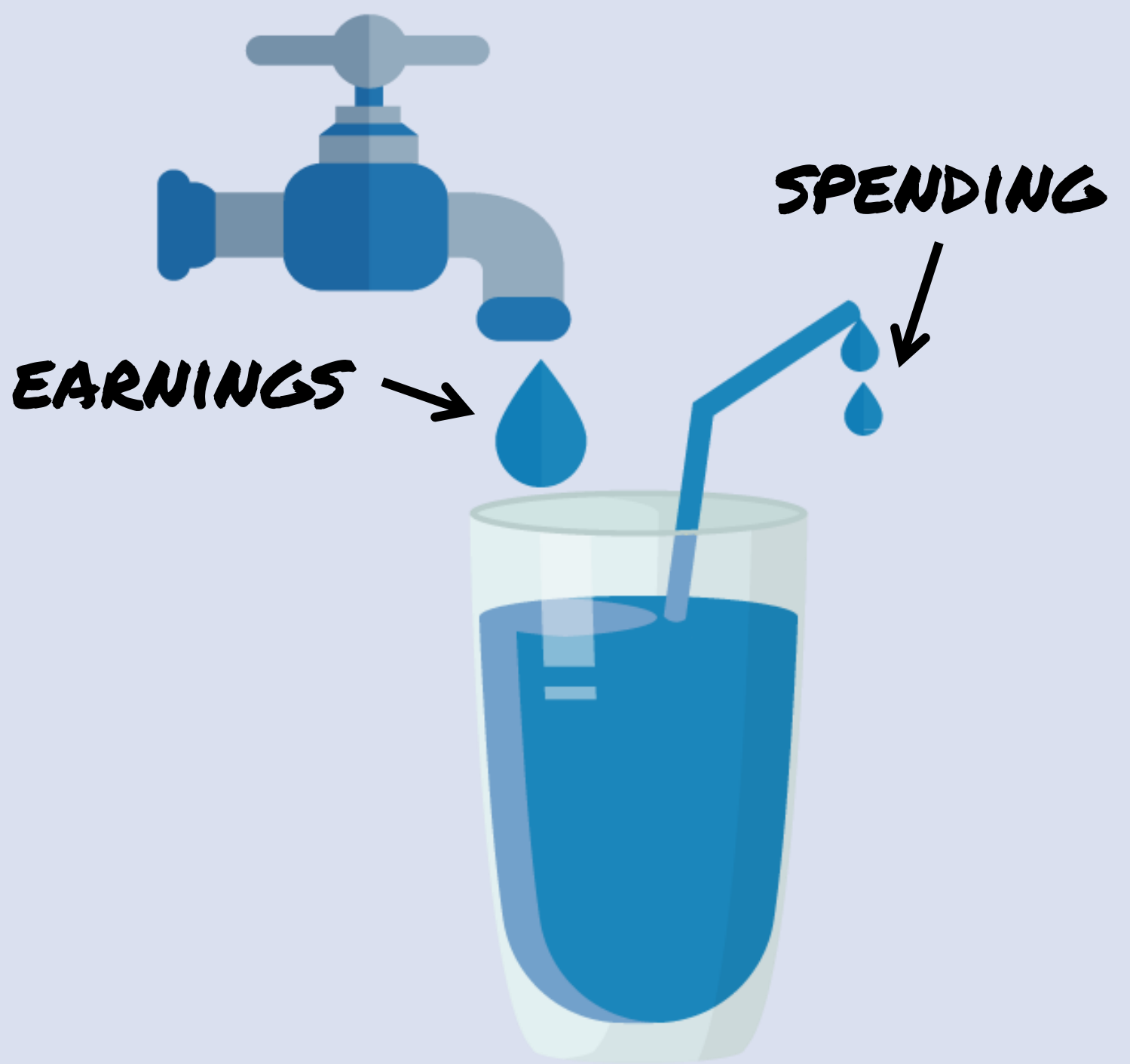
How do we know we
have **enough**
resources moving
forward?



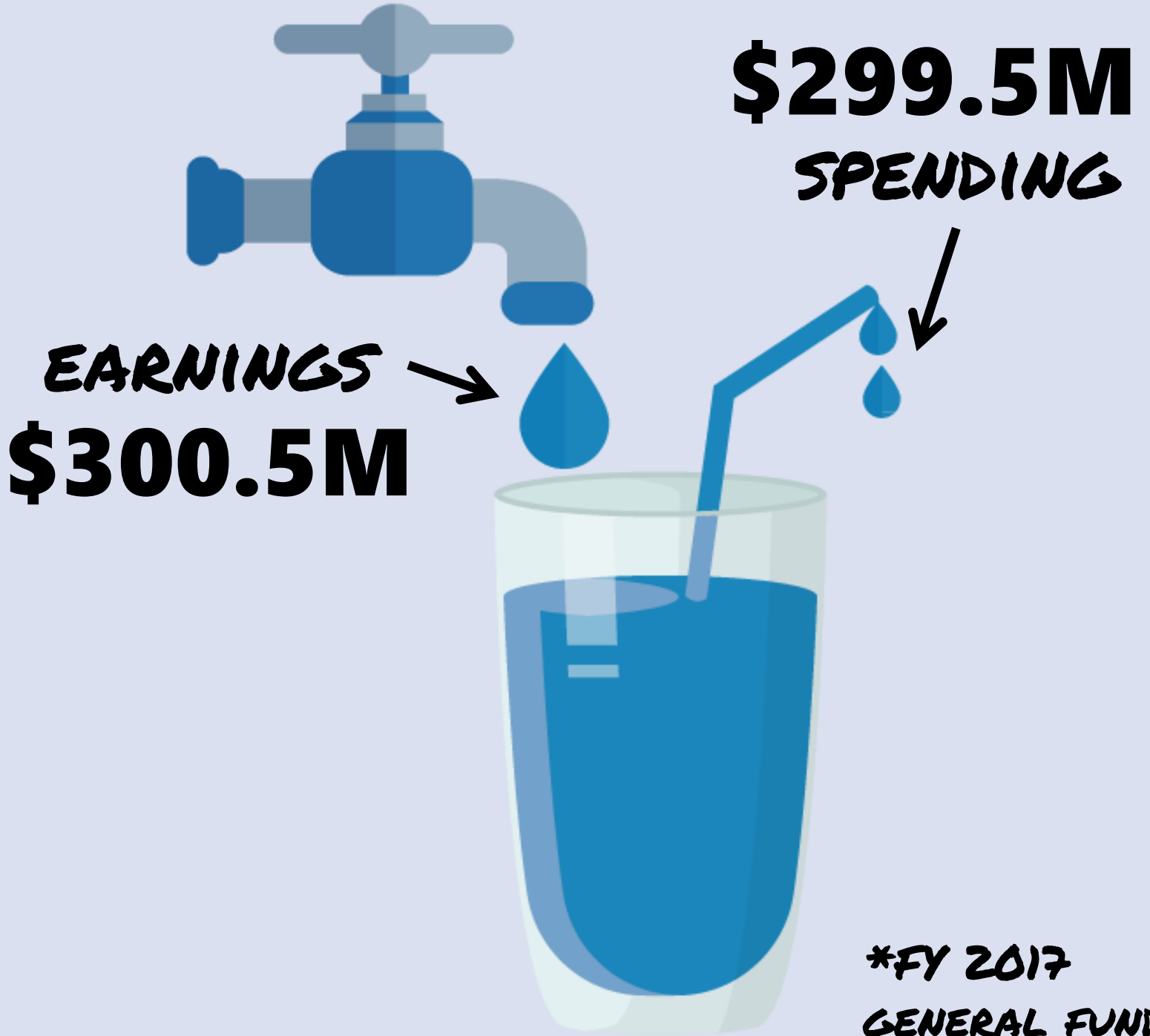
Buncombe County
keeps track of all its
regular earnings and
spending in the
General Fund

This is like the
county's **checking
account**



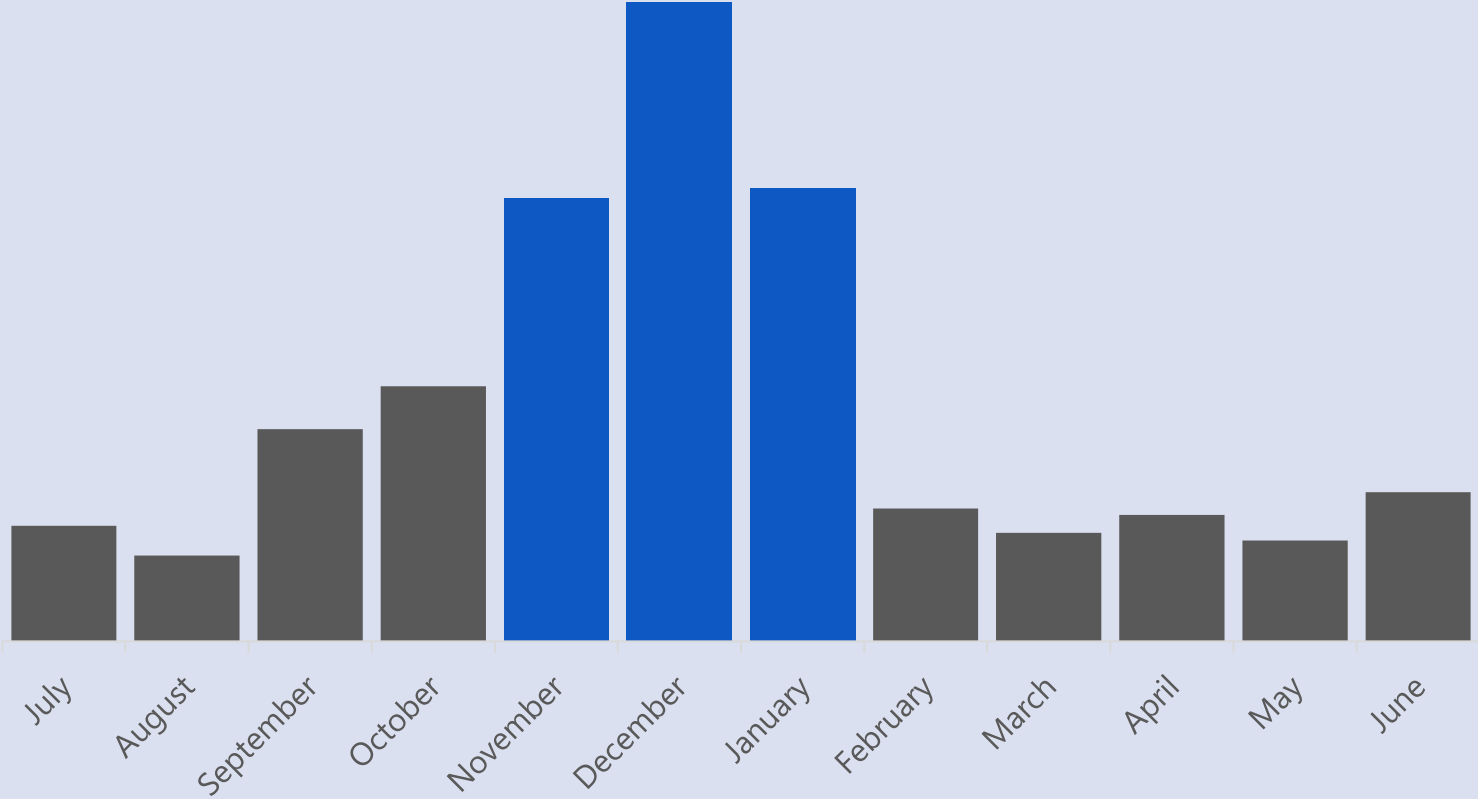


Money
regularly flows
in and **out**.

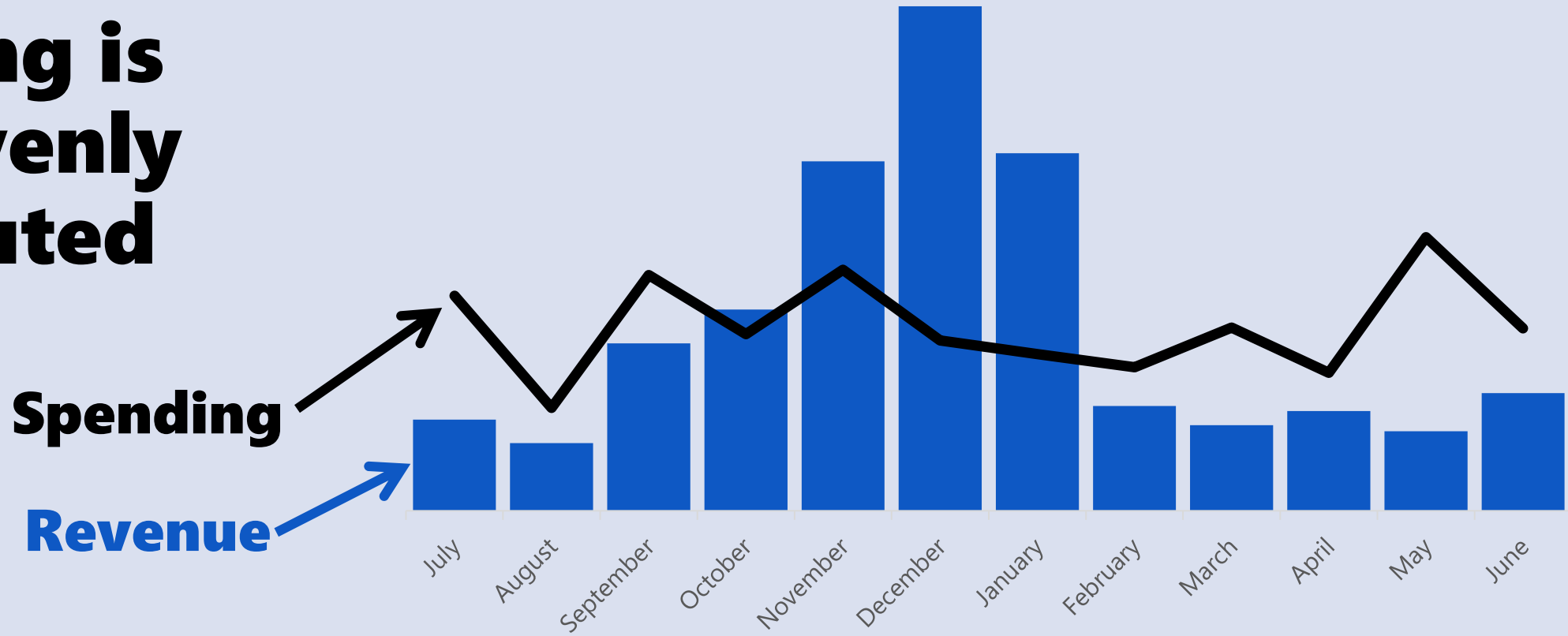


Money
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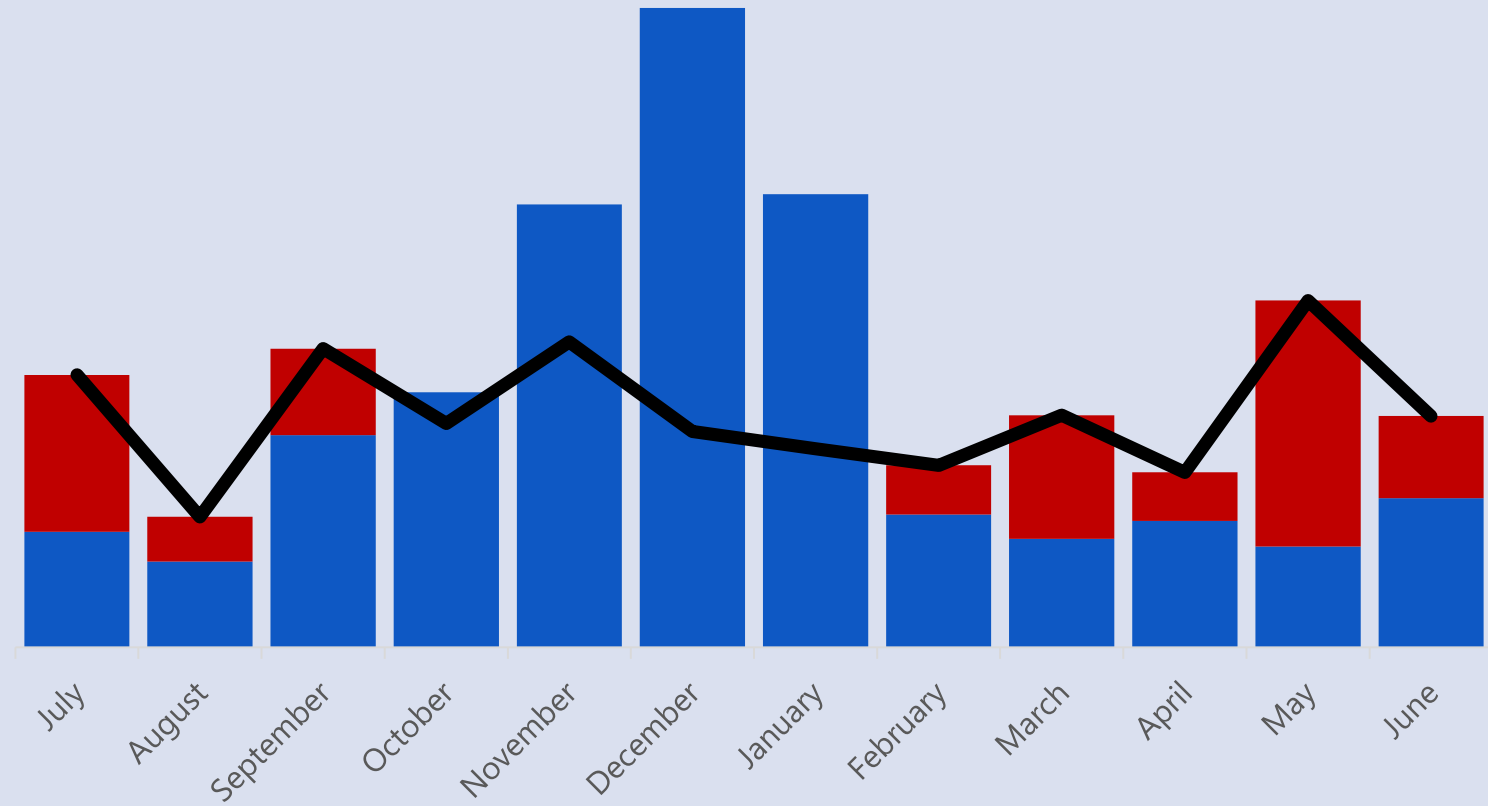
**more than
54%
of revenues
received in
just 3 months**



Spending is more evenly distributed



**Cash flow gaps
must be
balanced out**

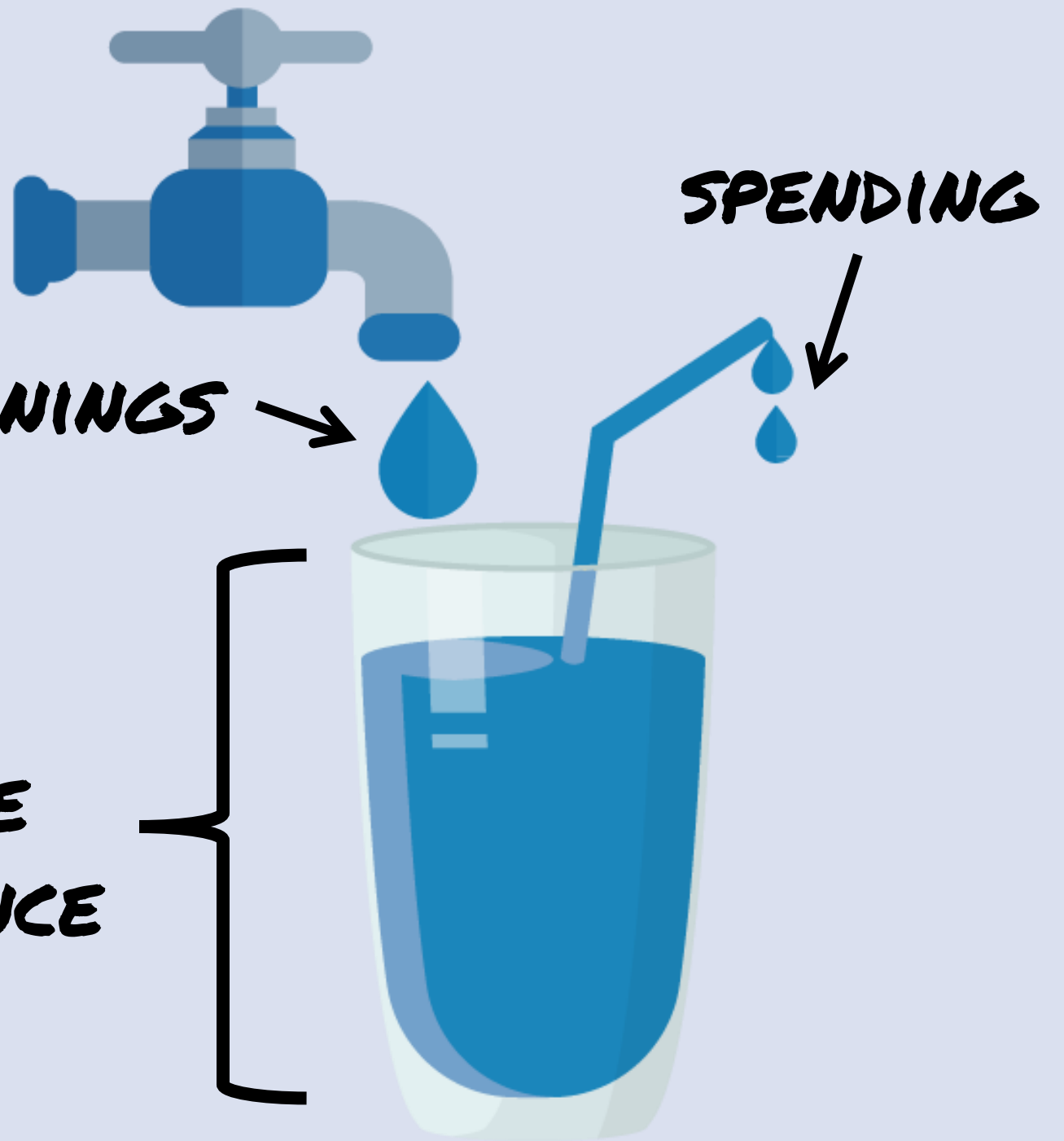


The funds in between earnings and spending are **available fund balance**

**AVAILABLE
FUND BALANCE**

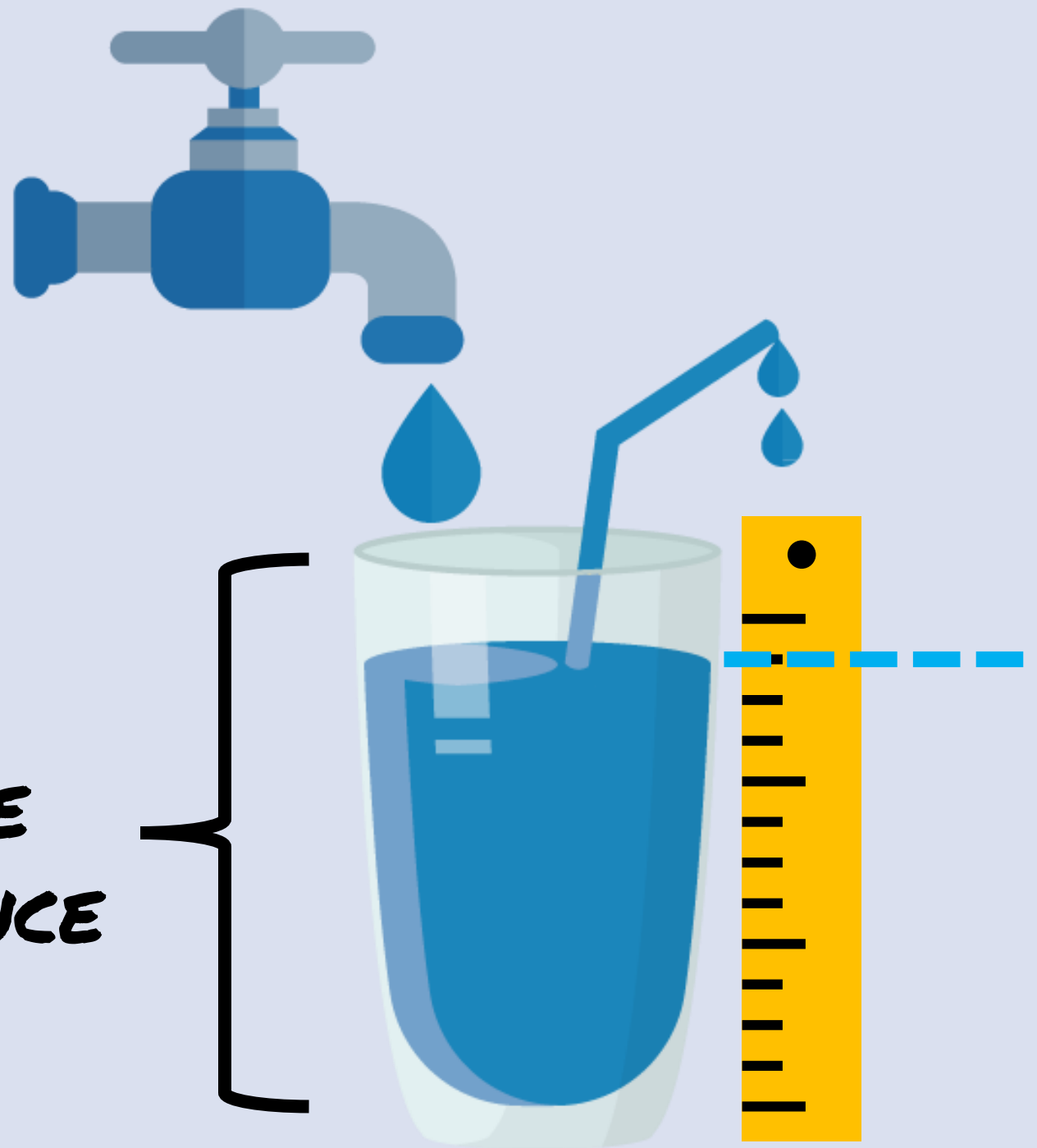
EARNINGS

SPENDING



Measuring this
lets us know if
our "**checking
account**"
balance is on
target

*AVAILABLE
FUND BALANCE*



Available fund balance is commonly measured as a **percentage**

$$\text{Available Fund Balance} / \text{Total Expenditures} = \% \text{ Available Fund Balance}$$

NC requires
8.0%
available
fund balance

*(THIS MUCH IS ABOUT
ONE MONTH OF OUR
OPERATING COST)*

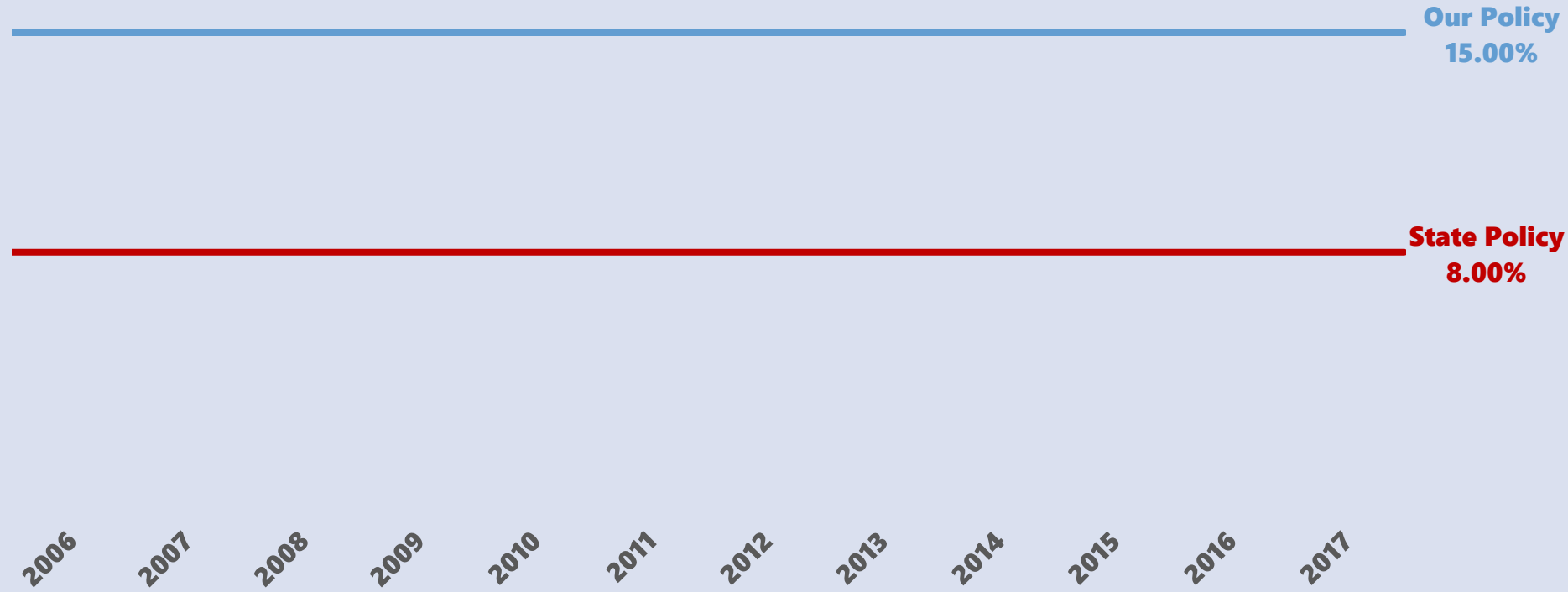


**State Policy
8.00%**

2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Board policy
is **15.0%**
available
fund balance

*(THIS GIVES US ABOUT
TWO MONTHS OF OUR
OPERATING COST)*

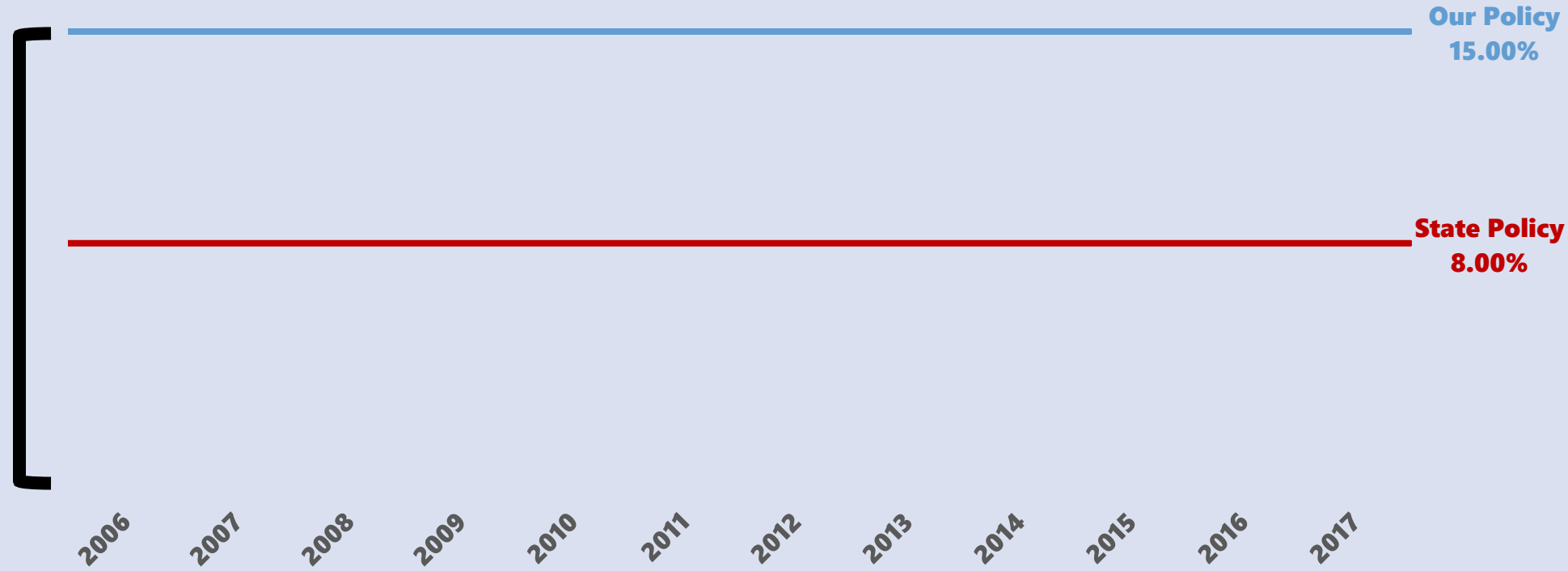


Board policy is **15.0%** available fund balance

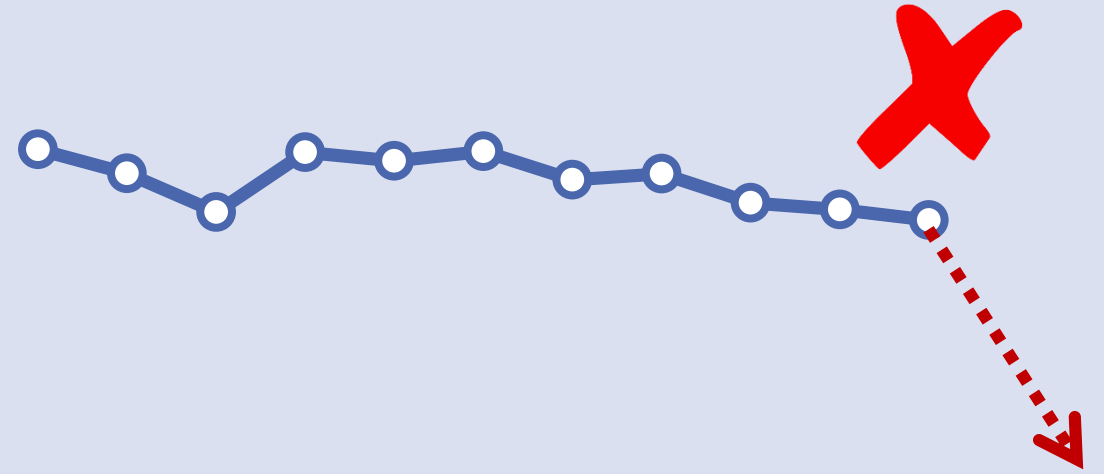
(THIS GIVES US ABOUT TWO MONTHS OF OUR OPERATING COST)



THIS IS OUR FINANCIAL BUFFER



A **safe reserve** is needed to keep critical services going even during emergencies or downturns in the economy



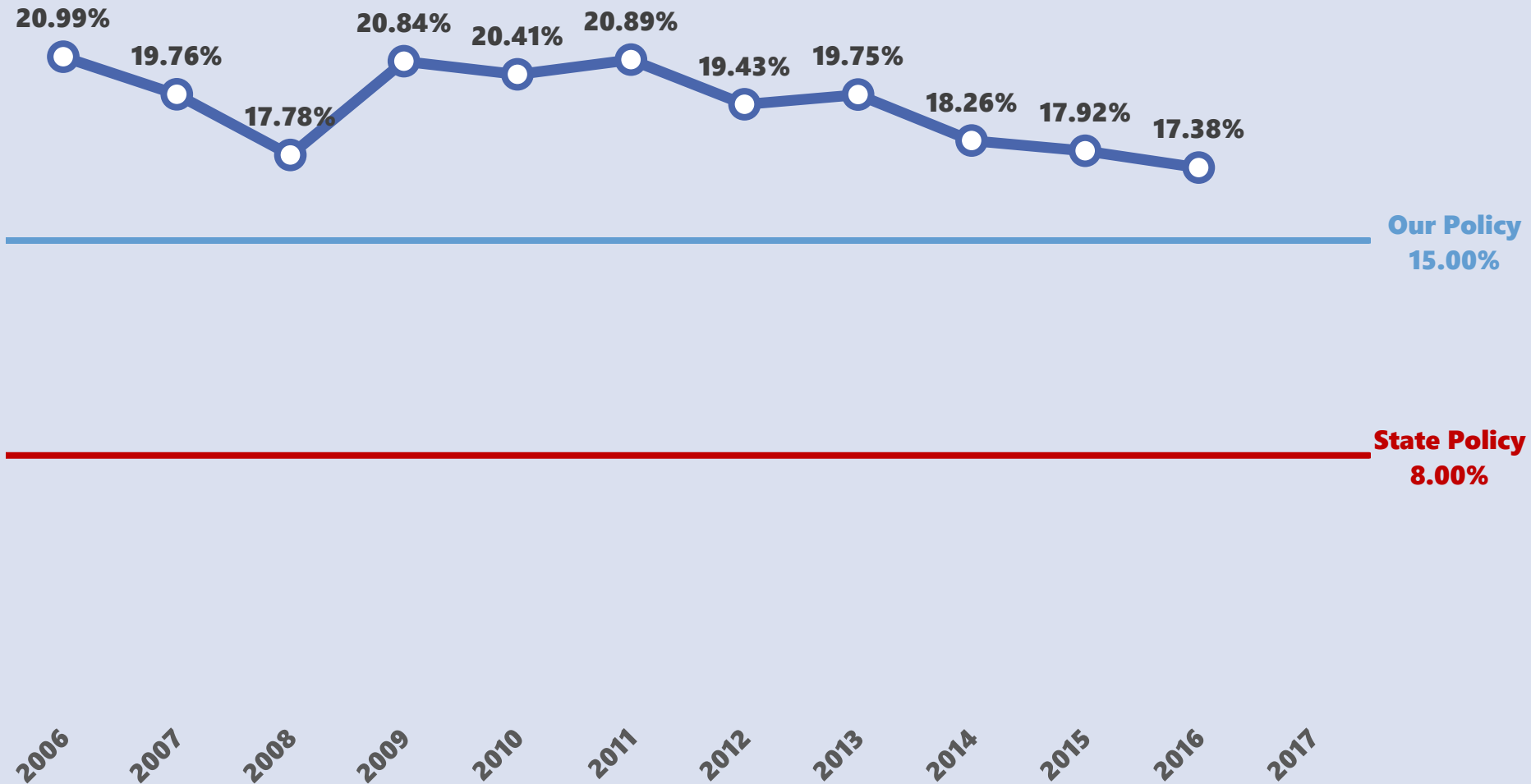


However, having **too much** reserve could mean **unnecessary** taxes are being collected

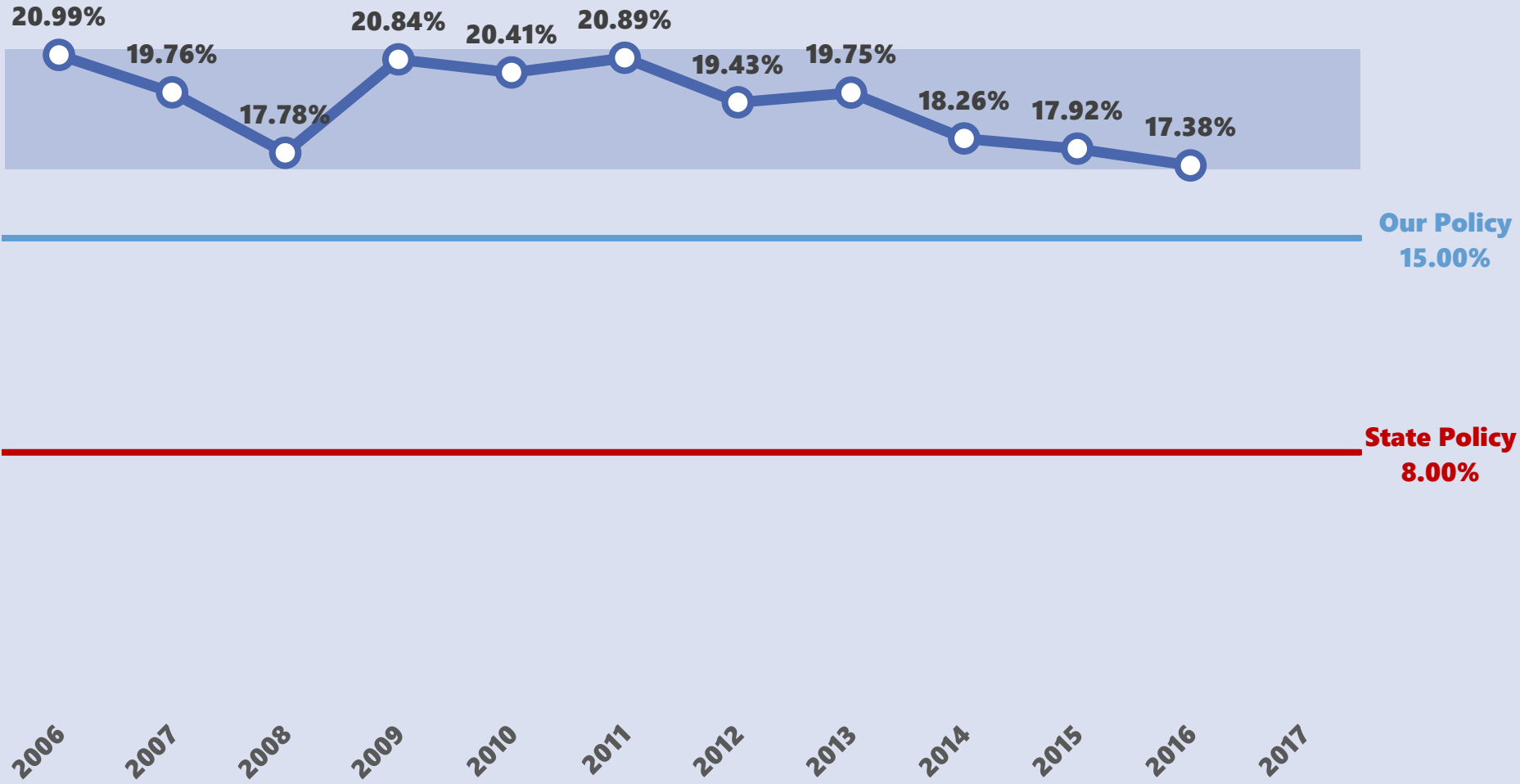


Maintaining a **balance** is very important

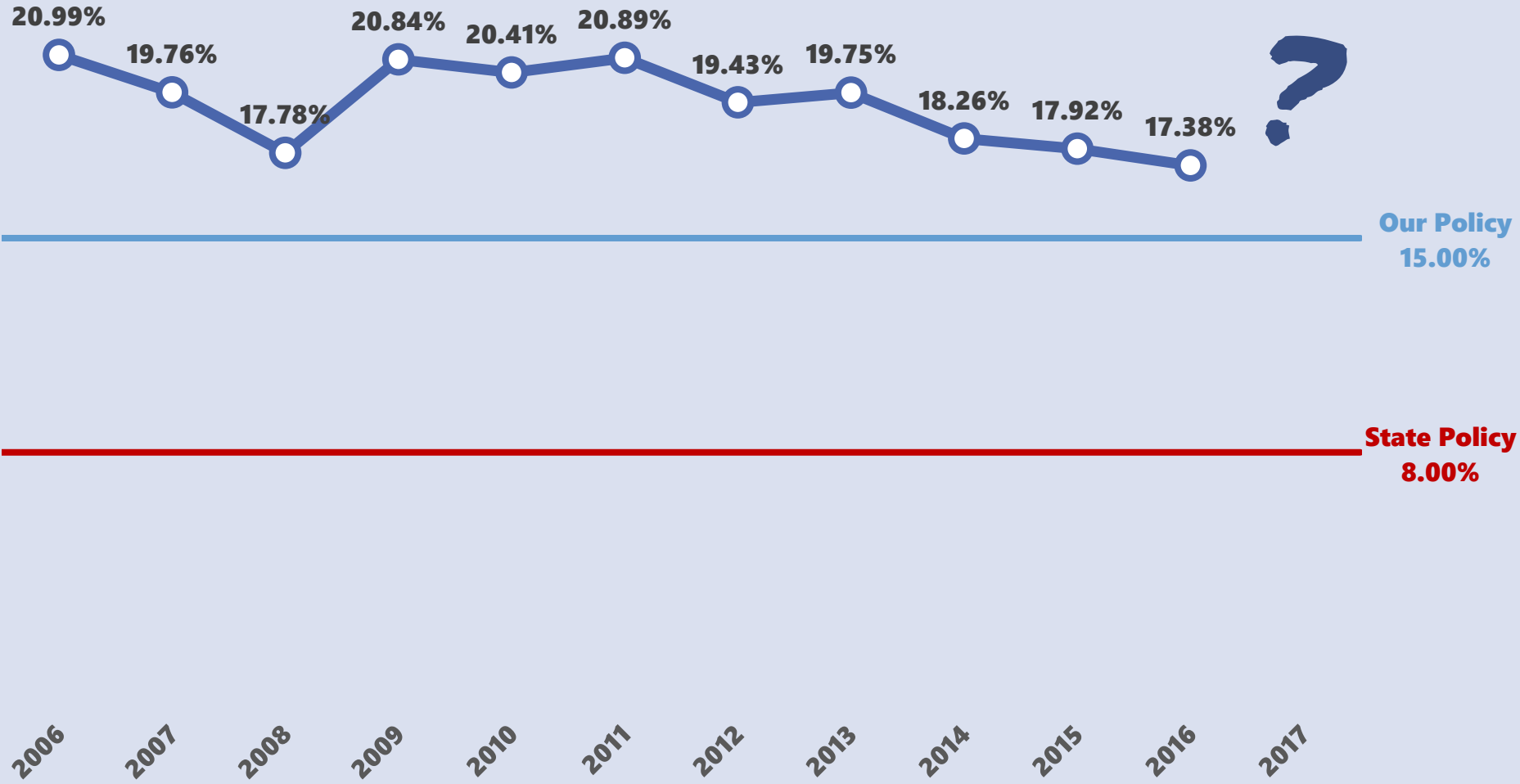
How has this
changed
over time?



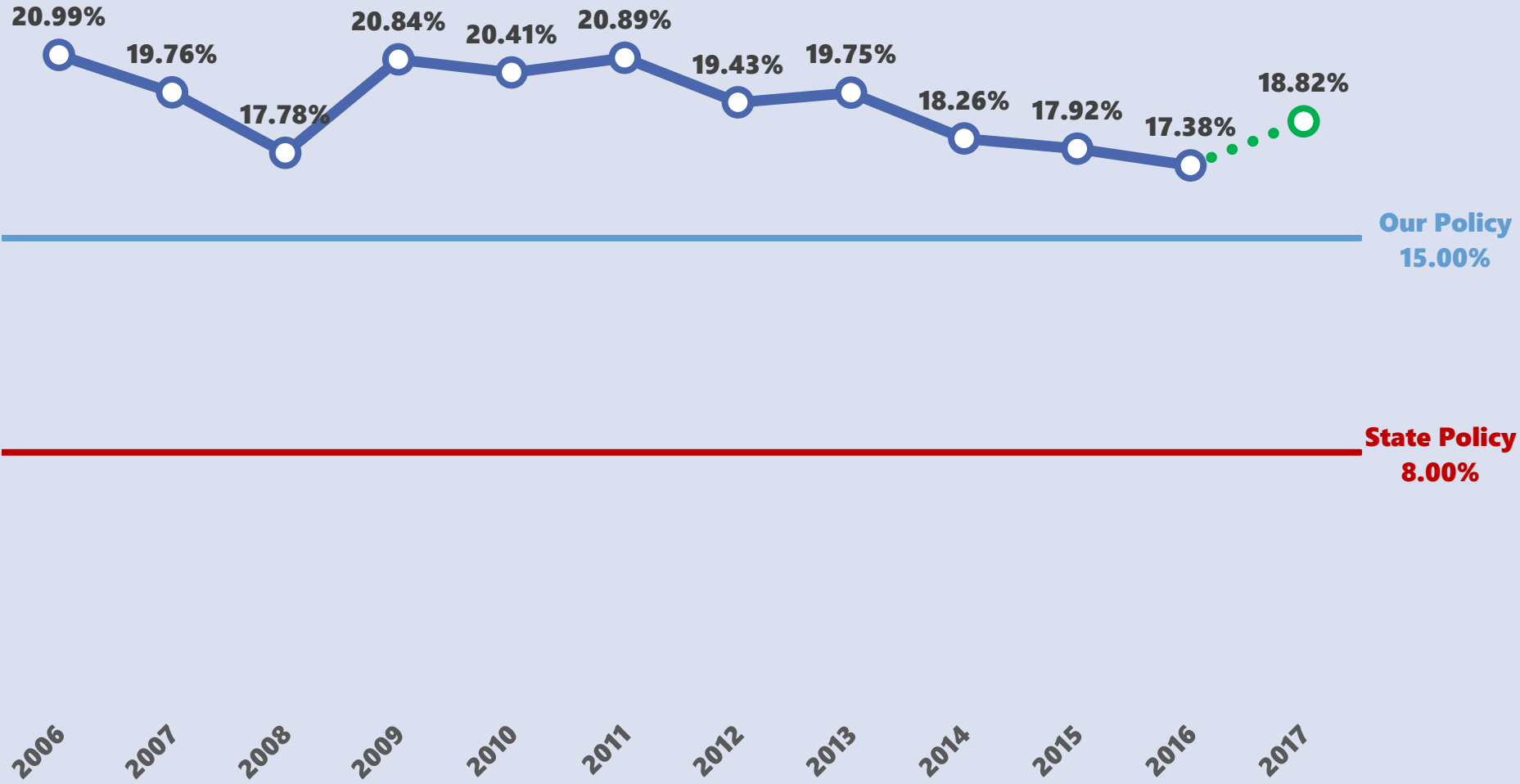
This has been
in a consistent
range between
17% to 21%



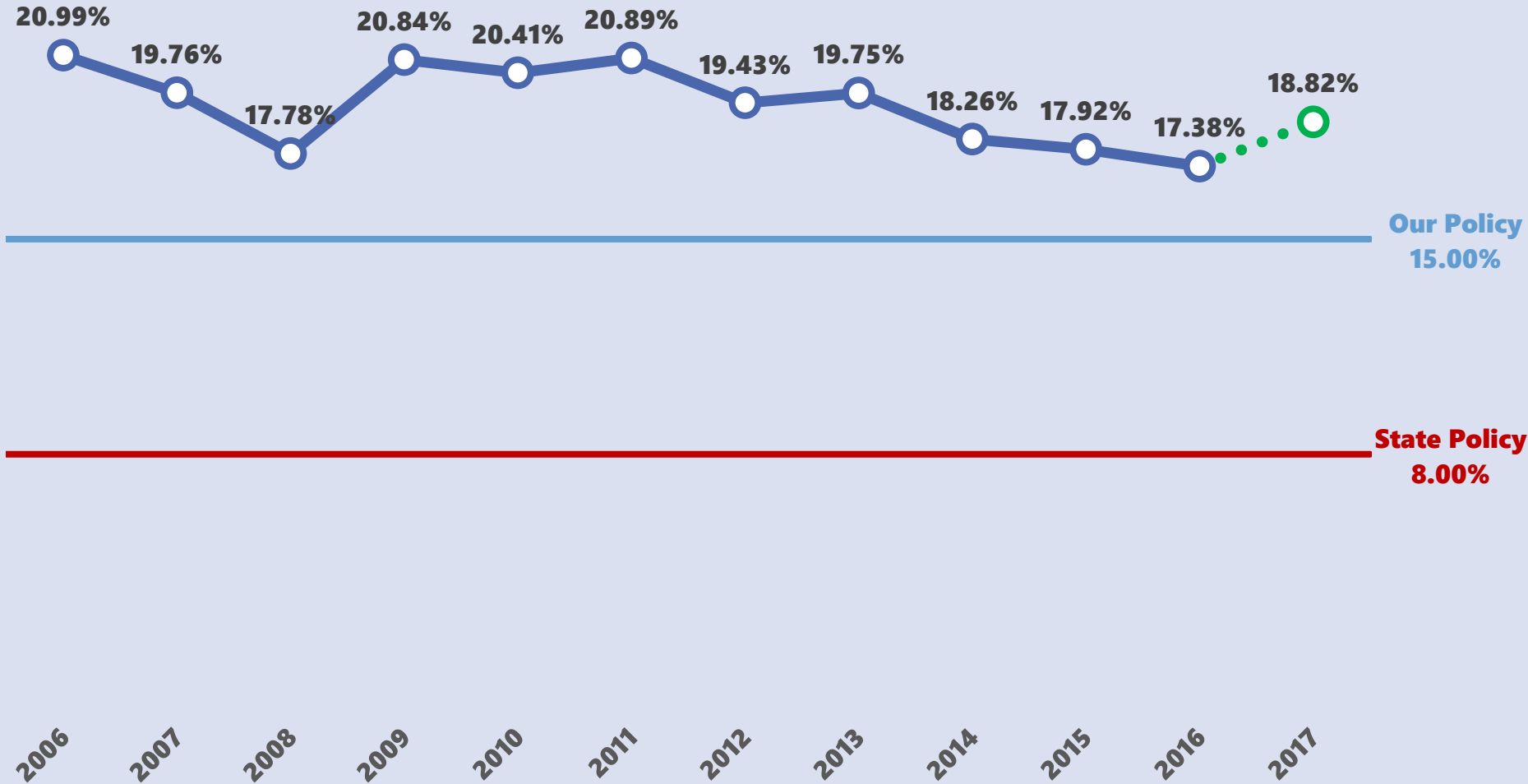
So how did we do **last year?**



Our available fund balance went up **1.42%** to **18.82%**



Our available fund balance went up **1.42%** to **18.82%**



That's a

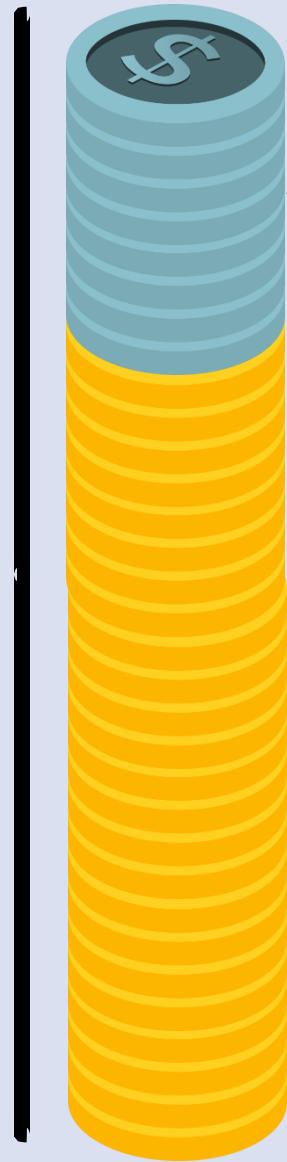
\$56M

**Available
Fund Balance**

(fiscal year 2017)

\$56M
Available
Fund Balance

(fiscal year 2017)



\$15.4M

Allocated for the
FY 2018 budget

Each year Buncombe County uses this to balance next year's budget, always with the plan to save this amount instead of using it

So, how does
this **measure**
up to other
counties?



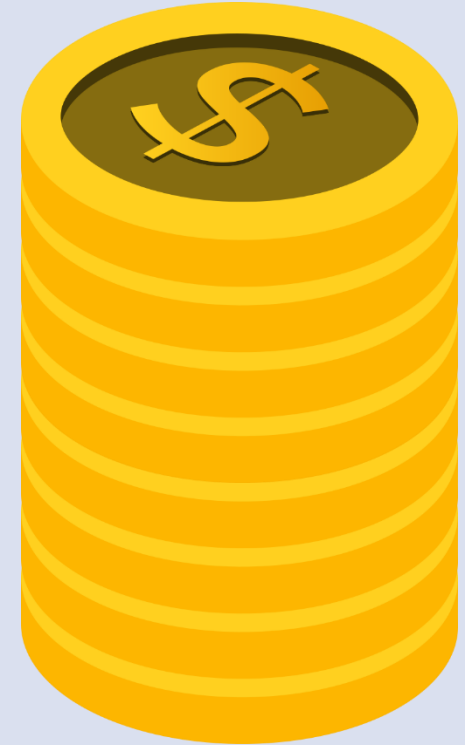
Buncombe's available fund balance is **lower** than the **average** compared to the 10 largest NC counties

18.82%



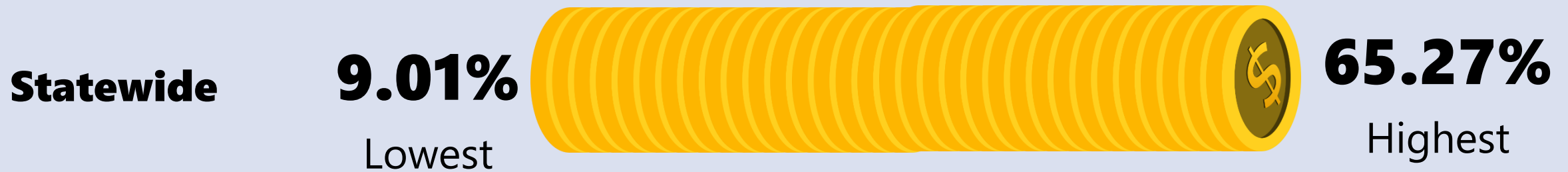
BUNCOMBE

25.11%



AVERAGE

(10 LARGEST)



This is the range of county fund balances in NC at the end of fiscal year 2016.

(2017 data is not yet available)

Statewide

9.01%

Lowest



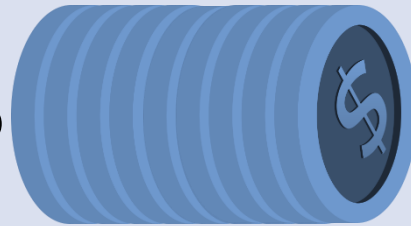
65.27%

Highest

Peer Group
(pop. 200,000 or above)

17.38%

Lowest



34.15%

Highest

The spread is much smaller within our peer group

Statewide

9.01%

Lowest



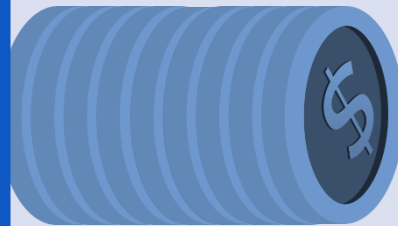
65.27%

Highest

Peer Group
(pop. 200,000 or above)

17.38%

Lowest



34.15%

Highest

BUNCOMBE (2016)

17.38%

At the end of fiscal 2016
Buncombe had the
lowest balance among
the 10 largest counties



We are able to do this because Buncombe County has:

- A stable, diverse economy
- Low-risk of natural disasters
- Solid financial history

What are the
other things
we monitor?



The Budget & Finance teams are always tracking **financial indicators, policy adherence, projections,** and **every dollar** we spend



Many financial indicators are monitored regularly



	Target	Status
Investment Policies		
✓ % of commercial paper	< 25%	19%
✓ amount per issuer	<= %5M	\$5M
Debt Policies		
✓ % of assessed value	< 3%	1.12%
✓ debt service to expenditures	< 18.0%	9.3 %
✓ 10-year payout ratio	>= 55%	65.9%
Fund Balance Policy		
✓ % available fund balance	> 15%	18.80%
Analytical Ratios		
✓ operations ratio	> 1.00	1.03
✓ intergovernmental ratio	> 10% & < 30%	17%
✓ quick ratio	> 1.5	4.82
Economic Indicators		
✓ tax base per capita	> 65K	141.6K
✓ median family income %	>= 90%	90%

In January 2017
Moody's
evaluated and
upgraded the
county, giving
Buncombe the
**highest credit
rating** possible
by both rating
agencies.



Aaa

(Highest Rating)

Awarded January 6, 2017



AAA

(Highest Rating)

Awarded June 8, 2012



These factors point to Buncombe County having a **solid financial position** that will support our **core services** and the **priorities** of our community



FINANCIAL STABILITY

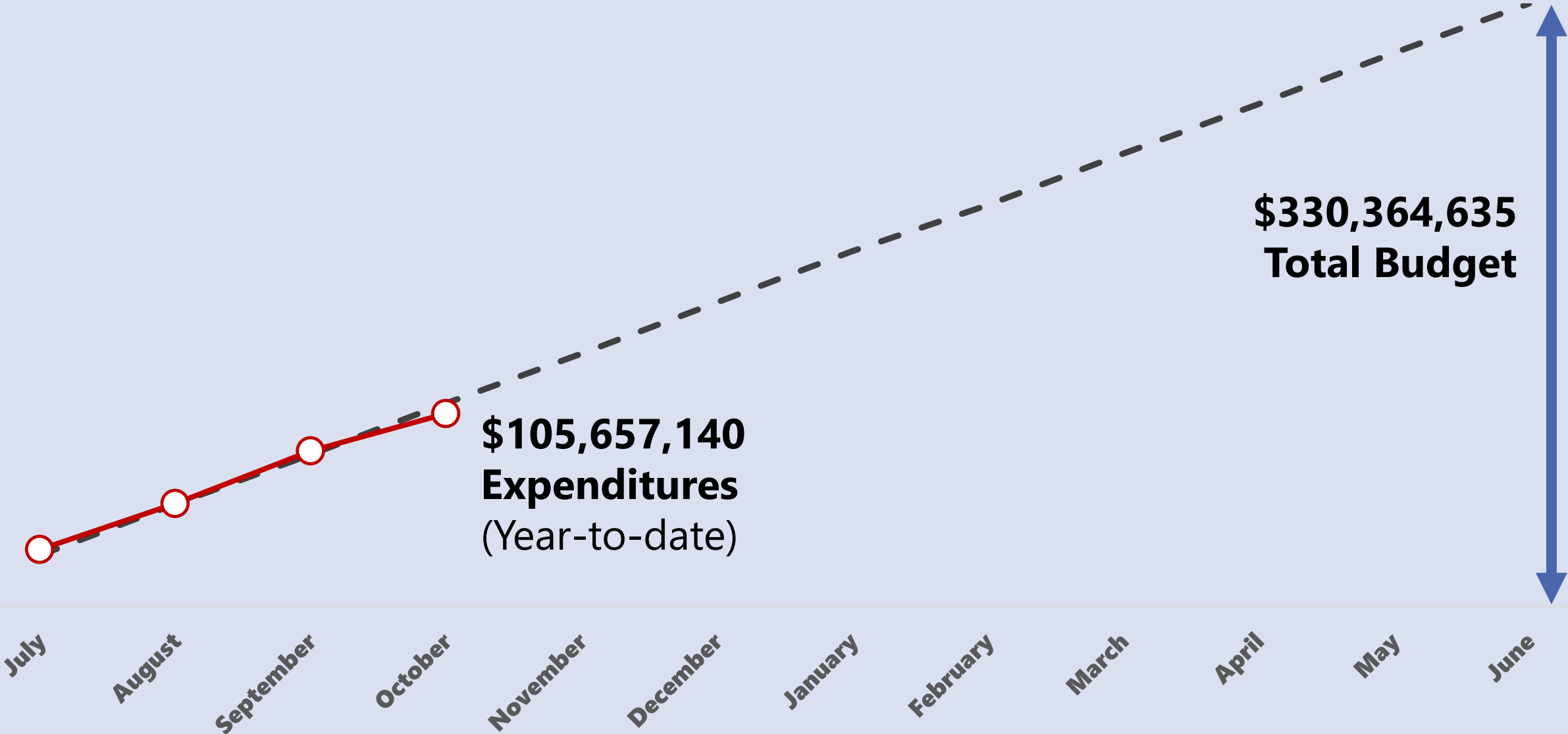
FINANCIAL OUTLOOK

HORIZON ISSUES

CURRENT YEAR **OUTLOOK**

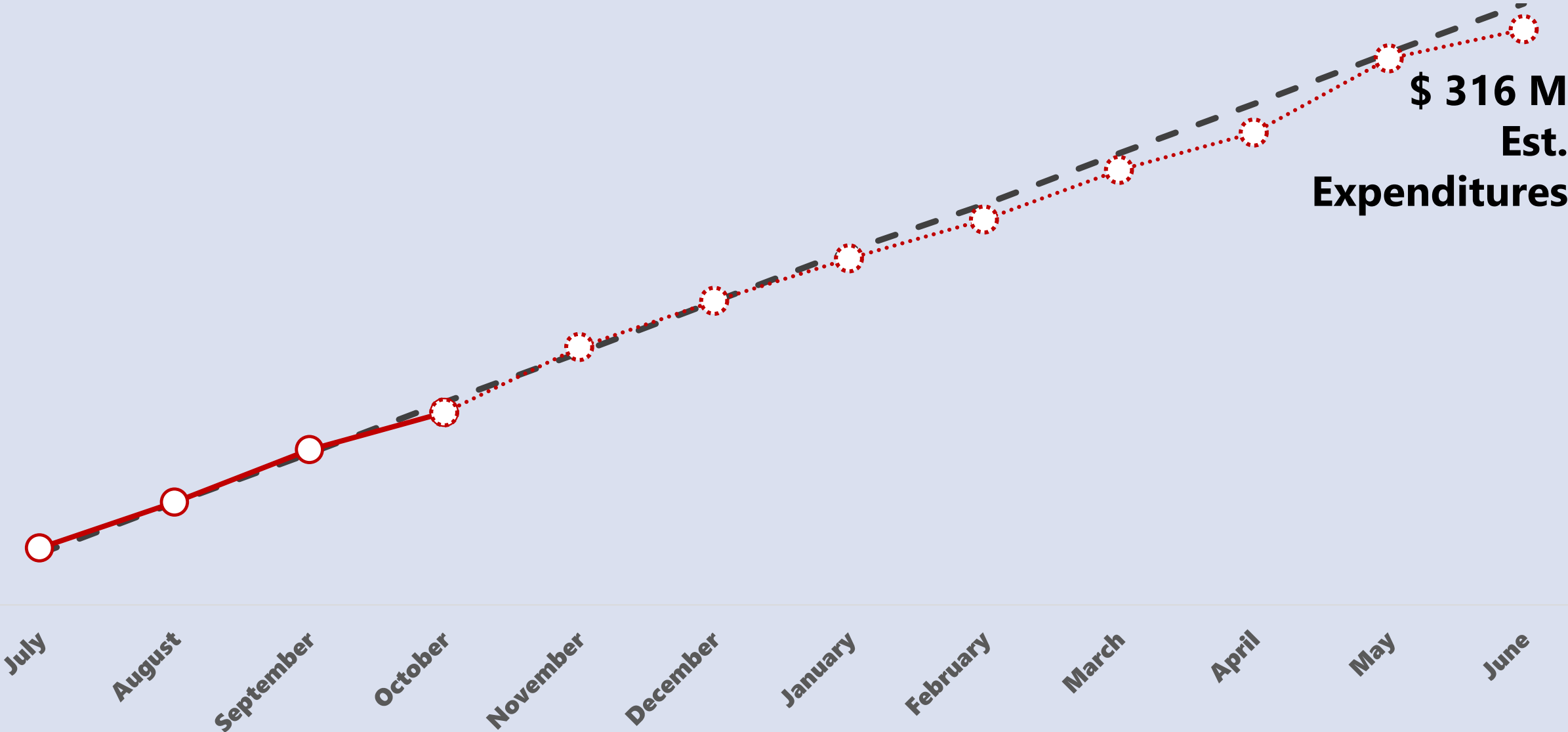
Expenditures year-to-date

As of the end of October, expenditures are slightly below an evenly distributed budget pace, although too early in the year to draw significant conclusions.



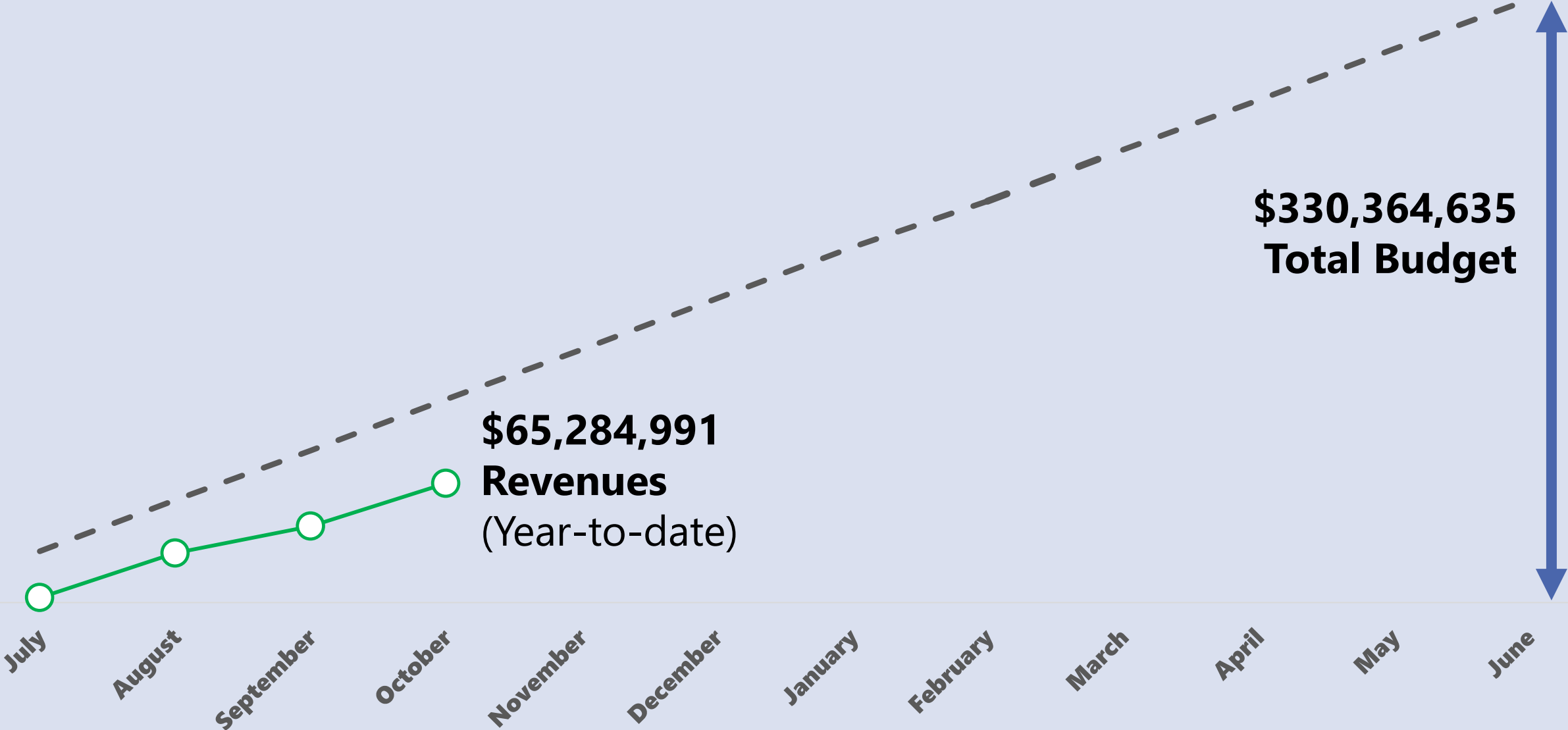
Expenditures Estimation

Using simple budget variance averages based on the last 5 years, an early estimate for remaining expenditures is shown below.



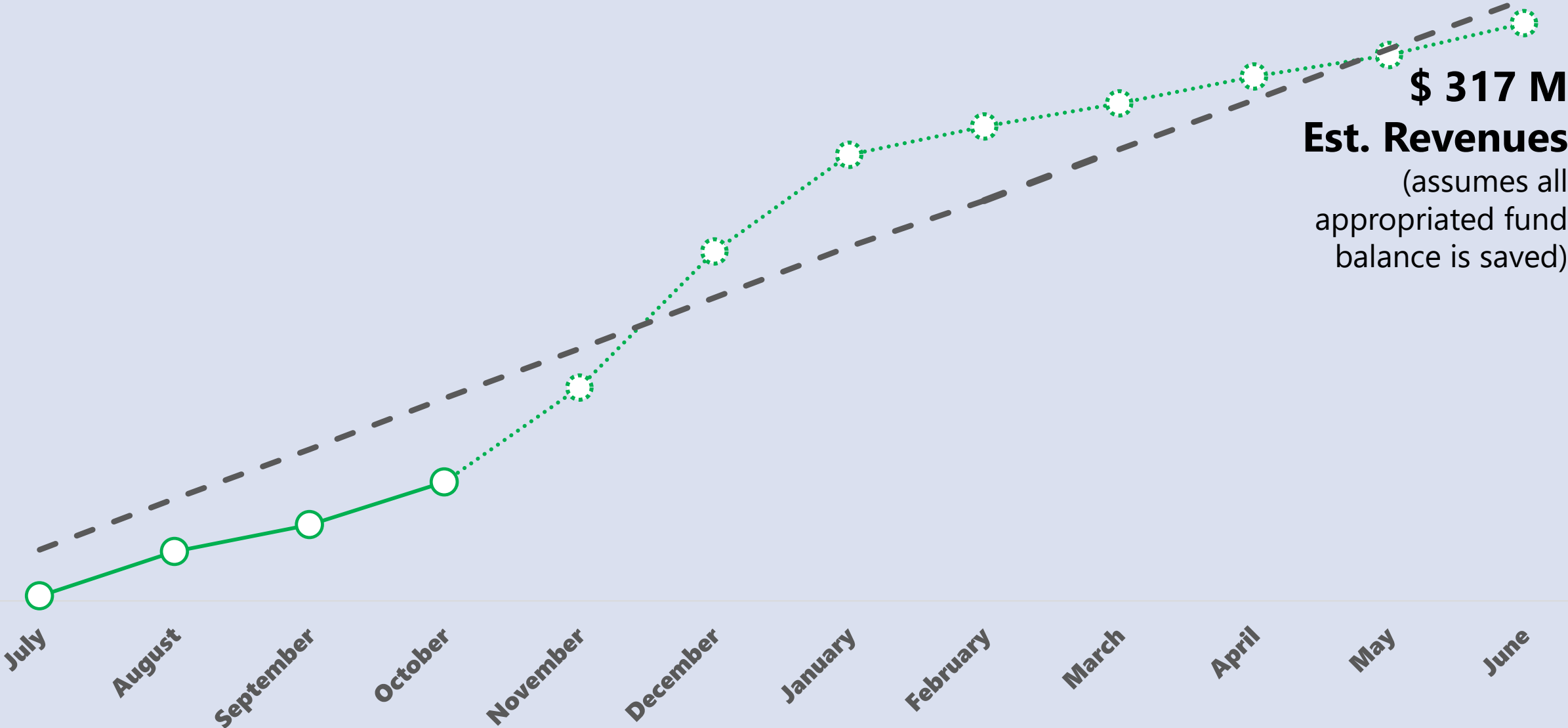
Revenues year-to-date

Revenues are difficult to project this early in the year, due to most property tax receipts still outstanding and the variability in sales tax revenues.



Revenue Estimation

Using simple budget variance averages based on the last 5 years, an early estimate for remaining revenues is shown below.



\$ 317 M
Est. Revenues
(assumes all appropriated fund balance is saved)

Undistributed Earnings Estimate

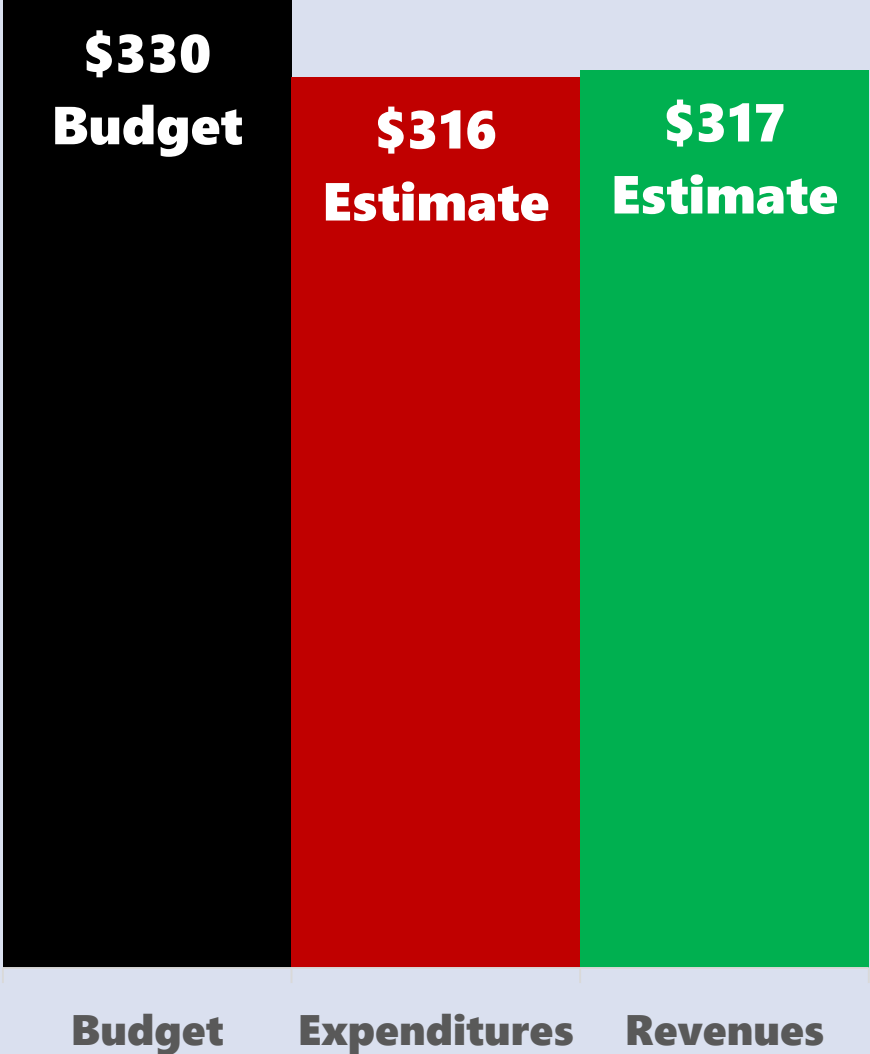
Using these preliminary revenue and expenditure estimates, an estimate for undistributed earnings can be generated



*All numbers are unofficial Q1 estimates

Undistributed Earnings Estimate

Using these preliminary revenue and expenditure estimates, an estimate for undistributed earnings can be generated



\$317 M Revenues

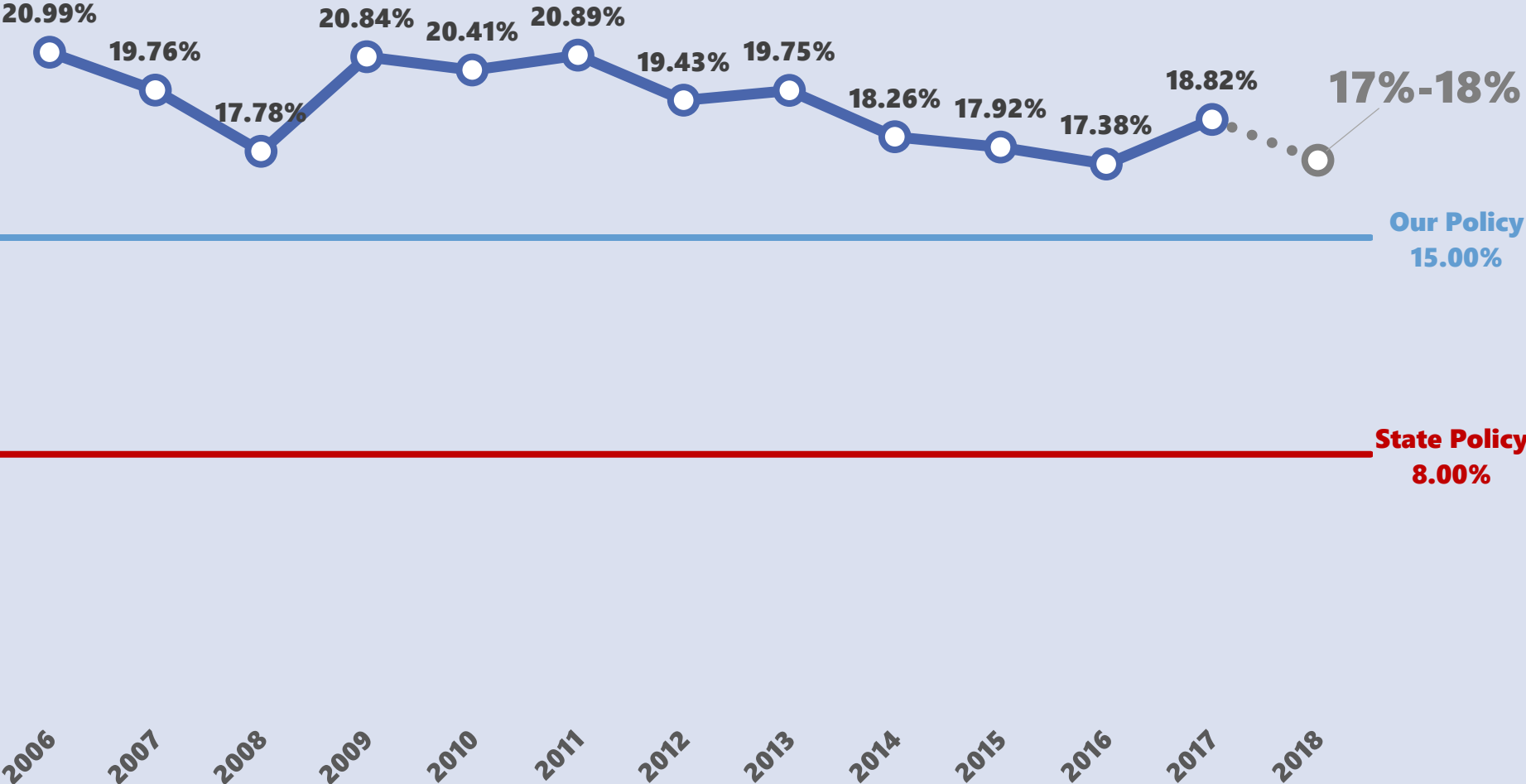
\$316 M Expenditures

\$1 M Undistributed Earnings

*All numbers are unofficial Q1 estimates

Estimated available fund balance at year end

Using preliminary Q1 estimates, an available year-end fund balance extrapolation is shown below



Even though undistributed earnings is estimated at a slight increase, available fund balance is expected to decrease due to the estimated increase in expenditures over the prior year.

Quarterly Financial Updates Moving Forward

- Recurring updates provide more useful information
- Estimates and projections improves each quarter
- Updates will alert you to variances from expectations
- Goal is to assist in budgeting and funding decisions
- Better information leads to better decisions



FINANCIAL STABILITY

FINANCIAL OUTLOOK

HORIZON ISSUES

PLANS & **HORIZON** ISSUES

HORIZON ISSUES

Short Term:

PSAP Funding (Public Safety Answering Point)

- Currently about \$1 Million a year in revenue
- Reimbursements for 911 call center costs
- Potential for reimbursements to be reduced



HORIZON ISSUES

Short Term:

School Class Size Mandates

- Changes to class size mandates could greatly impact education funding requests
- Education funding a significant expenditure area (\$75.3M last year)



HORIZON ISSUES

Long Term:

Health Care Costs/ Post-Employment Benefits

- Health care cost increases continue to be significant



HORIZON ISSUES

Long Term:

Federal Tax Reform

- Proposed Federal Tax Reform eliminates advanced refundings
- Currently looking at possible \$10M in savings at current market rates
- If reform passes, this option is no longer available



PLANS

Promote Transparency

1. Continue developing new dashboards and informational tools
2. New financial system
3. Online “checkbook” in the works



PLANS

Be More Accessible

1. Better communication to other departments
2. One-on-one availability
3. Provide Quarterly Financial Updates for the Board and Public



PLANS

Engage in new ways

1. Provide support for economic development
2. Advise and assist with capital projects
3. Develop better information around education funding



ADDITIONAL INFORMATION

- Annual Financial Report
(2017 CAFR available by end of November)
- Transparency Site
buncombecounty.org/transparency
- LGC Fiscal Analysis Tool
www.nctreasurer.com/slg/lfm/financial-analysis
- Public Records Site
<http://publicrecords.buncombecounty.org/FINREPORT>

