FY2020 Comprehensive Annual Financial Report

COUNTY BUDGET RETREAT

PRESENTED TO THE MECKLENBURG BOARD OF COUNTY COMMISSIONERS

JANUARY 27, 2021

FY2020 Comprehensive Annual Financial Report

- Summary of Fiscal Year 2020
- General Fund and Debt Service Fund
- County Investments and Debt
- How Does the County Compare?

Summary of Fiscal Year 2020

Strong base with stable economic and population growth

County revenues and expenditures increasing

Over last 10 years General Government:

- Revenues up 35%, at $1.8B in 2020
- Expenditures up over 54%, at $2B in 2020

2020 financial highlights include:

- $21M in additional Meck Pre-K funding to advance efforts to clear the childcare subsidy waiting list and add 36 classrooms serving over 1200 students
- County continues its support to CMS with funding of $49.6M more over the amount invested in fiscal year 2019
- $200M in bonds issued to support CMS and CPCC capital projects

Glossary

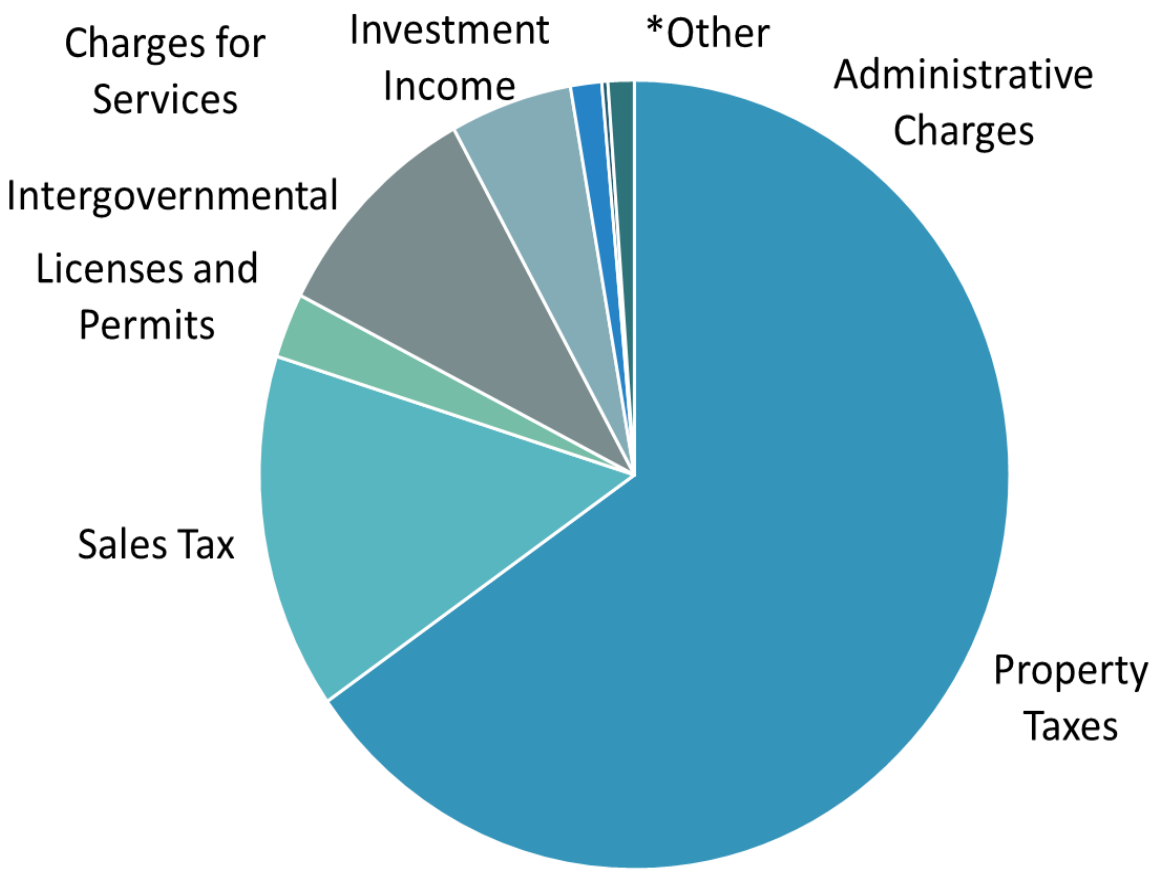
General Fund - primary operating fund of the County which accounts for all financial resources except those to be accounted for in another fund

Debt Service Fund – accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest

Pay-As-You-Go-Fund – accounts for financial resources used for the acquisition, construction or renovation of major capital facilities and the purchase of land

Fund Balance – represents fund equity or the amount of assets less liabilities remaining in the fund as of June 30. Fund balance is comprised of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent

FY20 General Fund Revenue by Source



- Revenues for the year totaled $1.38B, $83M or 6.4% above FY19
- Property tax revenues were up a total of 9.3% over the prior year, or $76.9M
- Sales tax revenues increased $2.2M/1.1%

General Fund Revenues
Year ended June 30, 2020
($ in millions)

Property Taxes	$ 899.0	65.3%
Sales Tax	200.9	14.6%
Licenses and Permits	36.6	2.7%
Intergovernmental	130.7	9.5%
Charges for Services	72.4	5.3%
Investment Income	18.5	1.3%
Administrative Charges	3.6	0.3%
*Other	15.6	1.0%
Total revenues	**$ 1,377.3**	**100.0%**

*Other includes Other Taxes, Rental, Sale of Properties, and Miscellaneous Revenue

FY20 General Fund Results: Revenues

Actual revenues came in 0.2% over Final budget

Property tax collections were within 1% of Budget

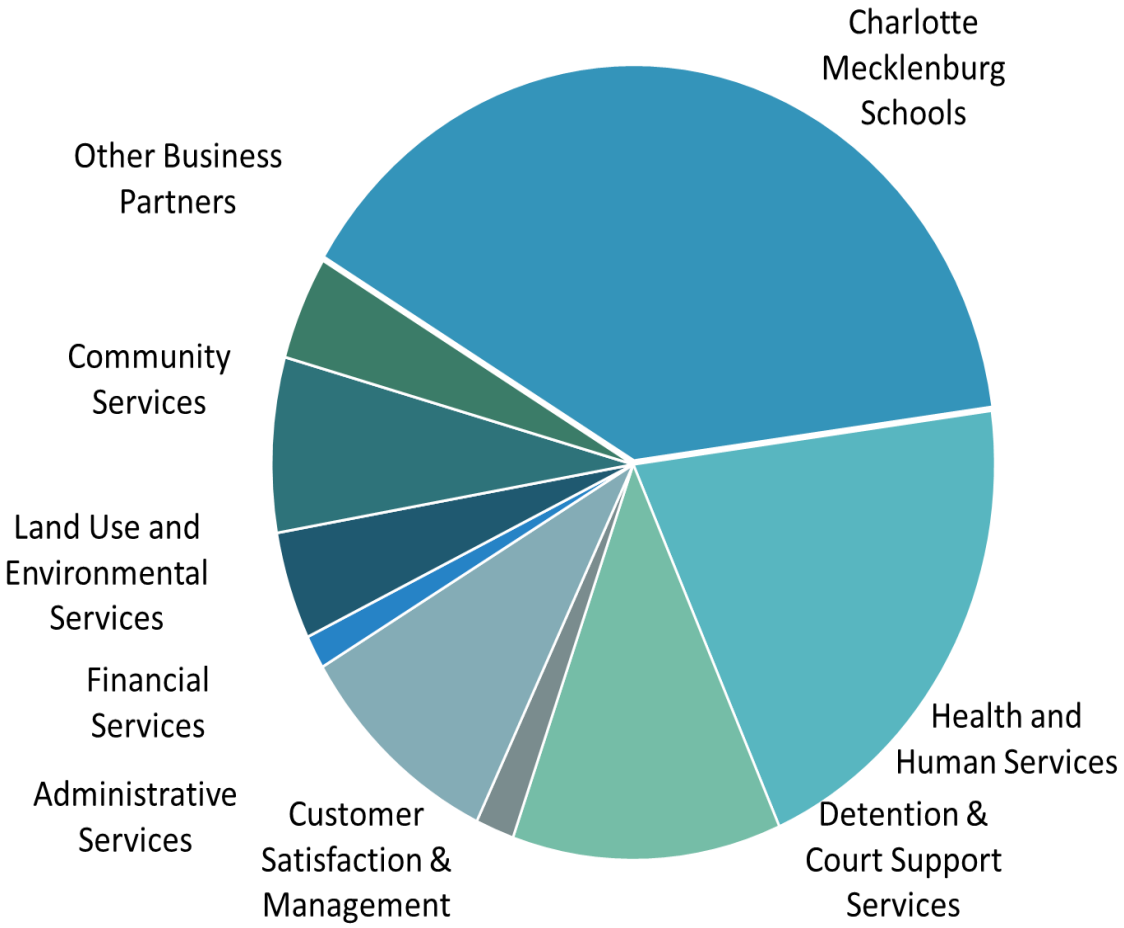
Sales taxes were 3.4% below Budget as a result of reduced consumer spending due to the pandemic.

Investment income was the largest increase over budget, due to higher interest rates prior to the pandemic

General Fund Revenues ($ in millions)				
	Budget	Actual	Variance from Final Budget	
REVENUES				
Property taxes	$ 889.9	$ 899.0	$ 9.1	1.0%
Sales taxes	208.0	200.9	(7.1)	-3.4%
Licenses and permits	31.7	36.6	4.9	15.5%
Intergovernmental	133.8	130.7	(3.1)	-2.3%
Charges for services	73.8	72.4	(1.4)	-1.9%
Interest on investments	12.6	18.5	5.9	46.8%
Administrative charges	3.6	3.6	-	0.0%
Other	21.7	16.7	(5.0)	-23.0%
General Fund Revenue	$ 1,375.1	$ 1,378.4	$ 3.3	0.2%

*Other includes Other Taxes, Rental, Sale of Properties, Miscellaneous Revenue, Sale of Capital Assets, and Transfers

FY20 General Fund Expenditures by Source



- Expenditures were $1.3B for the year, $93.8M or 7.7% higher than FY19
- CMS Operating expenditures of $514.4M comprised 39.2% of spending

General Fund Expenditures
Year ended June 30, 2020
($ in millions)

Charlotte Mecklenburg Schools	$	514.4	39.2%
Health and Human Services		269.6	20.7%
Detention & Court Support Services		157.5	12.0%
Customer Satisfaction & Managemen		22.6	1.7%
Administrative Services		122.4	9.3%
Financial Services		18.0	1.4%
Land Use and Environmental Services		57.8	4.4%
Community Services		93.7	7.1%
Other Business Partners		55.6	4.2%
Total expenditures	**$**	**1,311.6**	**100.0%**

FY20 General Fund Results: Expenditures

Overall Expenditures and transfers were about $1.5B, or 8.5% below Final Budget

General Fund Expenditures ($ in millions)				
	Budget	Actual	Variance from Final Budget	
EXPENDITURES				
Customer Satisfaction and Management	$ 32.0	$ 22.6	$ 9.4	-29.4%
Administrative Services	140.6	122.3	18.3	-13.0%
Financial Services	21.0	18.0	3.0	-14.3%
Land Use and Environmental Services	71.0	57.8	13.2	-18.6%
Community Services	103.6	93.7	9.9	-9.6%
Detention and Court Support Services	174.2	157.5	16.7	-9.6%
Health and Human Services	323.6	269.6	54.0	-16.7%
Business Partners	575.2	570.0	5.2	-0.9%
Total Expenditures	1,441.2	1,311.5	129.7	-9.0%
Transfers (net)	76.7	76.7	-	
General Fund Expenditures	$ 1,517.9	$ 1,388.2	$ 129.7	-8.5%

FY20 Results: General Fund

Overall stronger than expected performance, spending down $9.8M of fund balance

	$ in millions
Fund Balance – Beginning FY20	$506.0
Net Change in Fund Balance	(9.8)
Fund Balance – Ending FY20	$496.2

FY20 Debt Service Fund Results

Debt Service Fund revenues were $0.9M under budget

Expenditures were $14.2M, or 7% below budget

Transfers were $105.2M, $75.2M for PayGo increases and $30M for Deferred Maintenance

Debt Service Fund Balance increased by $13.3M

Debt Service Fund ($ in millions)				
	Budget	Actual	Variance from Final Budget	
REVENUES				
Property taxes	$ 242.1	$ 242.1	$ -	0.0%
Sales taxes	60.6	60.2	(0.4)	-0.7%
Intergovernmental	13.1	13.0	(0.1)	-0.8%
Interest earned on investments	9.6	8.4	(1.2)	-14.3%
Other	2.5	3.3	0.8	24.2%
Total Revenues	327.9	327.0	(0.9)	-0.3%
EXPENDITURES				
Debt Service	223.8	209.6	(14.2)	-6.8%
EXCESS OF REVENUES / EXPENDITURES	104.1	117.4	13.3	11.3%
Other Financing Sources (Uses)	(104.1)	(104.1)	-	0.0%
NET CHANGE IN FUND BALANCE	$ -	$ 13.3	$ 13.3	100.0%
FUND BALANCE - BEGINNING OF YEAR		225.6		
FUND BALANCE - END OF YEAR		$ 238.9		

*Other includes reimbursement of costs

FY20 Results: Combined Fund Balance

Combined Fund Balance $735.1M as of June 30

The Local Government Commission (LGC) recommends that fund balance should be at least 8 percent of General Fund Expenditures

The County's unassigned fund balance is currently at 19.6% of General Fund Expenditures

$466.5M of Fund Balance at year end was restricted, or committed for specific purposes

- Includes $54.8M of Fund Balance appropriated in the FY21 Adopted Budget
- Debt Service Fund Balance is considered restricted or committed for Debt Service

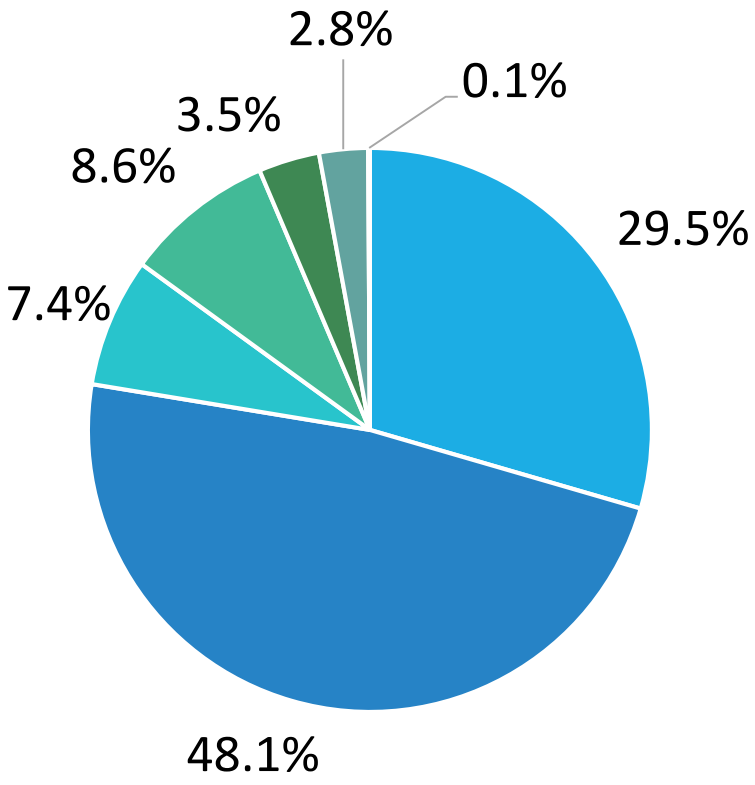
$268.6M in the General Fund is unassigned

Combined Fund Balance ($ in millions)

	General Fund	Debt Service Fund	Combined
Fund Balance:			
Restricted			
Stabilization by State Statute	$ 132.3	$ 15.5	$ 147.8
Committed			
Administrative Services	20.1	-	20.1
Customer Service and Management	0.1	-	0.1
Land Use and Environmental Services	41.6	-	41.6
Capital Projects	21.5	-	21.5
Detention and Court Support Services	3.1	-	3.1
Community Services	0.7	-	0.7
Health and Human Services	3.0	-	3.0
Business Partners	4.1	-	4.1
Debt Service	-	223.4	223.4
Financial Services	1.1	-	1.1
Unassigned	268.6	-	268.6
Total	$ 496.2	$ 238.9	$ 735.1

County Investments as of 6/30/20

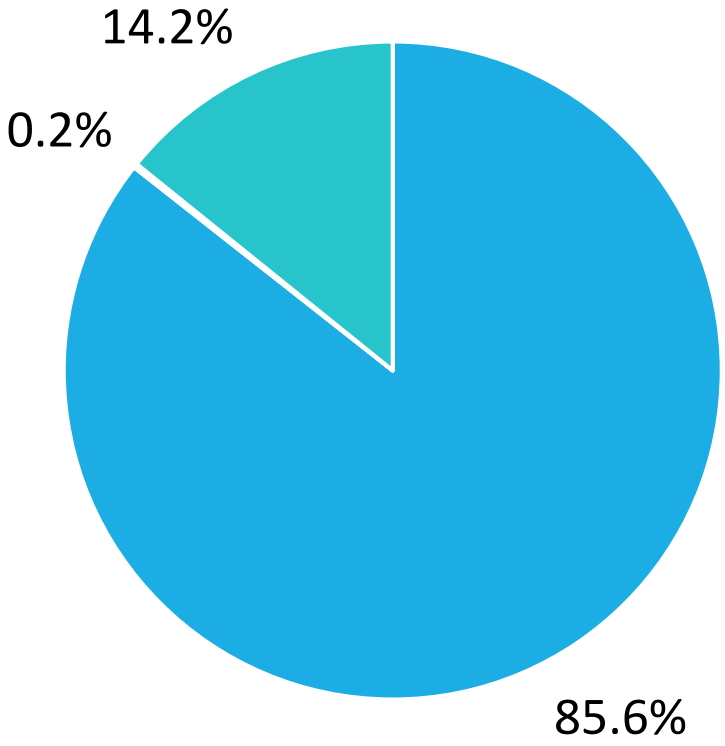
Investments ($ in millions)		
U.S. Government Agencies	$ 420.3	29.5%
NC Capital Management Trust – Government	684.2	48.1%
Money Market Accounts	105.5	7.4%
U.S. Treasuries	123.0	8.6%
NC Capital Management Trust – Term	49.7	3.5%
Commercial Paper	40.0	2.8%
Certificates of Deposits	0.1	0.1%
Total Investments	$ 1,422.8	100.0%



- The County actively manages cashflow, and invests funds to earn interest and maintain liquidity
- Daily investment balances ~$1.2-$1.4B

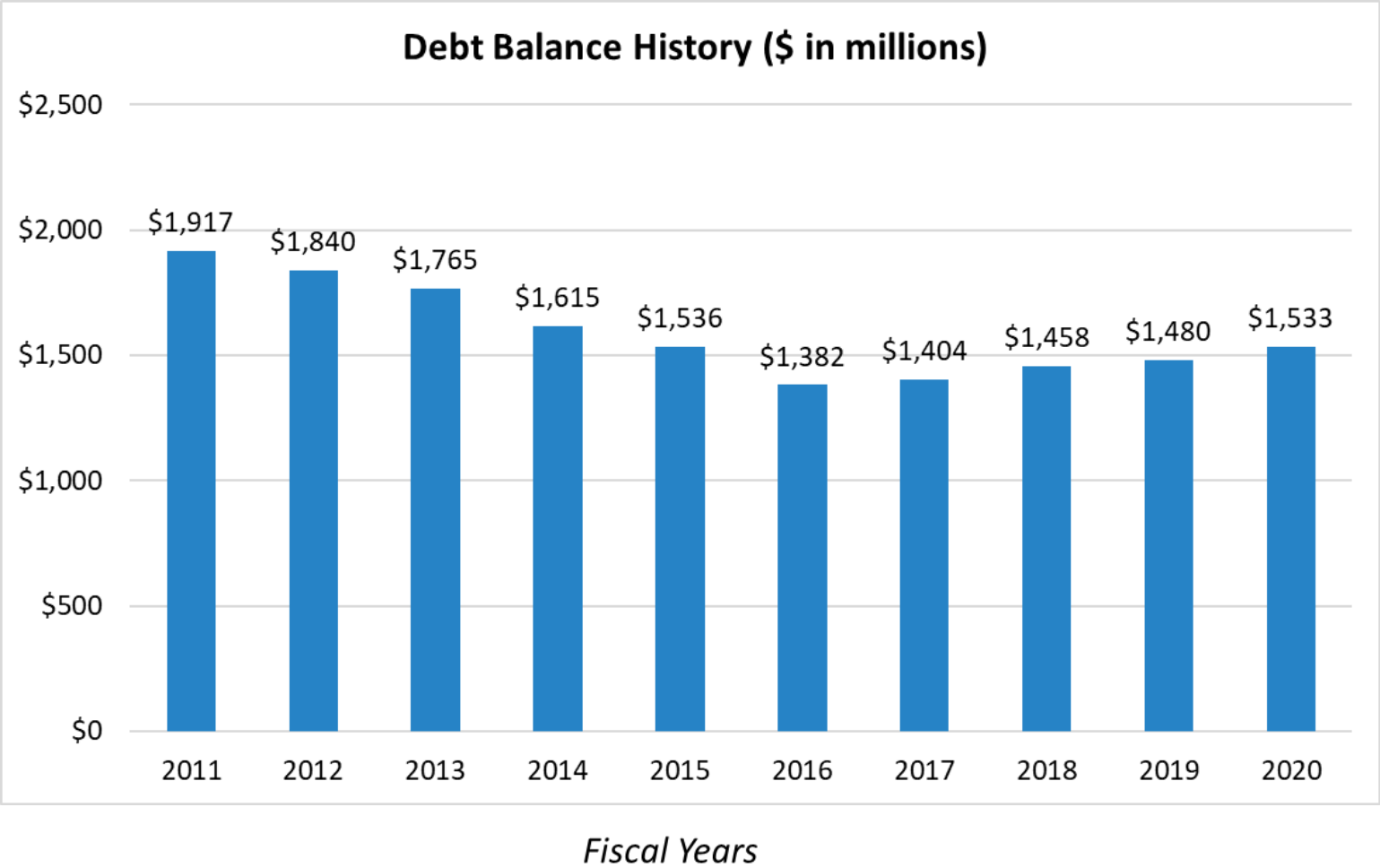
County Debt as of 6/30/20

Outstanding Debt ($ in millions)		
General Obligation Bonds	$ 1,309.6	85.6%
Capital Leases	3.2	0.2%
Installment Financing	217.7	14.2%
Total Debt	$ 1,530.5	100.0%



- County direct debt was $1.53B at the end of FY20
- Net bonded debt was 0.80% of Assessed value, well below the statutory maximum of 8%
- Strong debt management part of the fiscal stewardship behind the County's AAA Credit Rating

Debt Balance History



From 2011 to 2020, the County has made a concerted effort to lower its total outstanding debt over the past few years—reducing outstanding debt to sustainable levels

Debt Policy Metric	Policy Target	FY2020 Actual
Overall Debt as % of Assessed Value	4.00%	1.30%
Overall Debt per Capita	$4,000	$2,081
Direct Debt as % of Assessed Value	1.75%	0.82%
Direct Debt per Capita	$2,000	$1,350
Ten Year Payout ratio	64.00%	68.93%
Debt Service % of Operational Expenditures	17.00%	12.29%
Variable Rate Debt as % of Outstanding Debt	15.00%	0.00%

Debt Management Policy

How does the County Compare

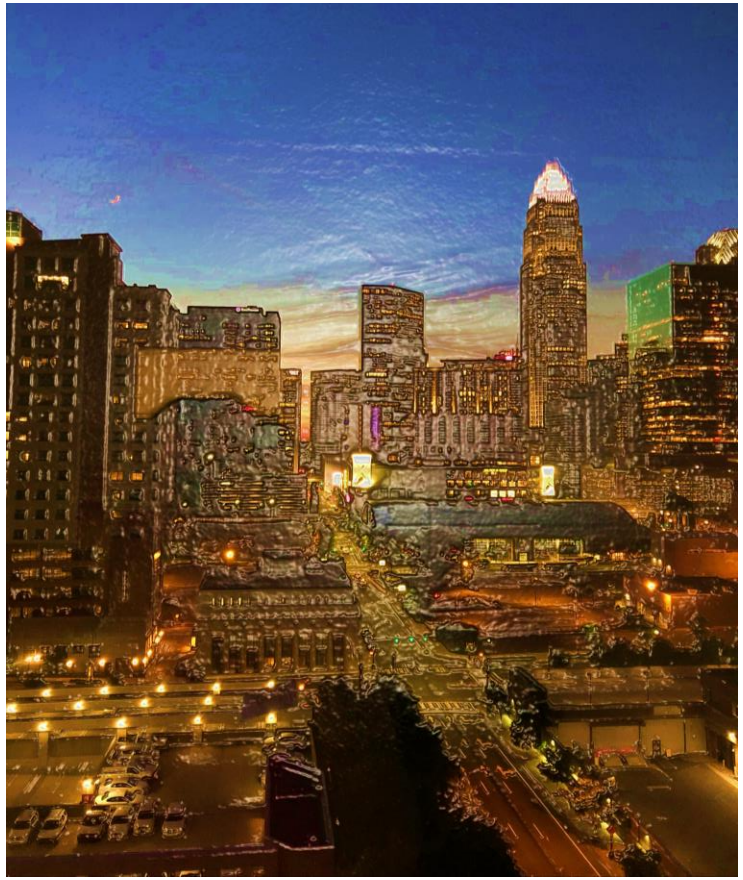
The County is performing in line with or better than similar counties in the state.

Comparison of North Carolina Counties	Mecklenburg County	Durham County	Forsyth County	Guilford County	Wake County
Net Debt Outstanding ($M)	**$1,478M**	**$493M**	**$603M**	**$703M**	**$2,282M**
Debt as % Assessed Value	**1.1%**	**1.3%**	**1.6%**	**1.4%**	**1.3%**
Debt Per Capita ($)	**$1,325**	**$1,539**	**$1,598**	**$1,318**	**$2,089**
Debt Service as % of Operating Expenditures	**12.3%**	**12.7%**	**15.2%**	**15.9%**	**21.5%**

*Comparisons based on FY 2019 data, from Moody's Investor Service.

How does the County Compare

Comparison of Counties in Other States	Mecklenburg County	Baltimore County (Maryland)	Fairfax County (Virginia)	Gwinnett County (Georgia)	Montgomery County (Maryland)
Net Debt Outstanding ($M)	$1,478M	$4,098M	$3,595M	$167M	$4,069M
Direct Debt % Assessed Value	1.1%	4.7%	1.4%	0.2%	2.0%
Debt Per Capita ($)	$1,325	$4,904	$3,118	$178	$3,807
Debt Service % Operating Expenditures	12.3%	7.5%	7.9%	0.6%	12.4%

*Data from FY2019, Moody's Investor Services. Review looked to similarly rated East Coast counties, with similar populations. Rating agencies make similar comparisons in their evaluations, taking into consideration different laws, requirements, and responsibilities.

Questions?