



County of Gaston

**-Update-Capital Investment Fund/Debt Affordability-
Presented by DEC Associates**

February 23, 2021

Presentation Outline

- › Update since November 26, 2019 meeting
- › Brief review of Community Investment Fund (CIF)
- › Status of CIF implementation and financial policy changes
- › Preliminary debt affordability model projections
- › Moving forward and next steps

To Summarize
Major accomplishments outlined in this presentation

- › Community Investment Fund (CIF) implemented in current budget
- › County moving to top level of capital and debt capacity management
- › Financial policies being reviewed, updated and structured to meet sound financial condition benchmarks and hoped for future rating upgrade
- › Preliminary debt affordability model capacity projections
 - › Capacity covers current G.O. authorization and additional capacity
- › 2022 budget will provide fully developed model projections

Update from last Meeting

Purpose of this conversation – making progress – review planning

Decisions made 2019

Multiple decisions:

- › County hired DEC Associates as financial advisor
- › Expanded long-term financial planning
- › Voted for Community Investment Fund
- › Plan to update County financial policies
- › Moving toward implementation – FY 2021 budget
- › Expanded methods to manage capital needs, improve credit and enhance transparency

Importance of financial planning

Planning provides:

- › Roadmap/evaluate current plans and policies
- › Achievement objectives
- › Issuance of debt only as necessary
- › Measuring – capital plan
 - › Plan affordability – debt and other sources
 - › Greater financing alternatives- cash flow method
- › Tool to match needs with priorities
- › Annual review – can change as needed

Strong County decision making

Review CIF

Benefits of having one

Highest level capital and debt affordability planning:

Why move up

Drivers:

- › Capital asset needs
 - › Growth
 - › Maintenance of assets
- › Aids economic development
- › Need to plan for the longer term
 - › Especially capital investments
 - › Operating cost they often bring
 - › Greater ability to meet unforeseen events
- › Separates operating and capital resources
- › Sets the stage for improving financial standing
- › Improves transparency and disclosure

Who cares?

Stakeholders:

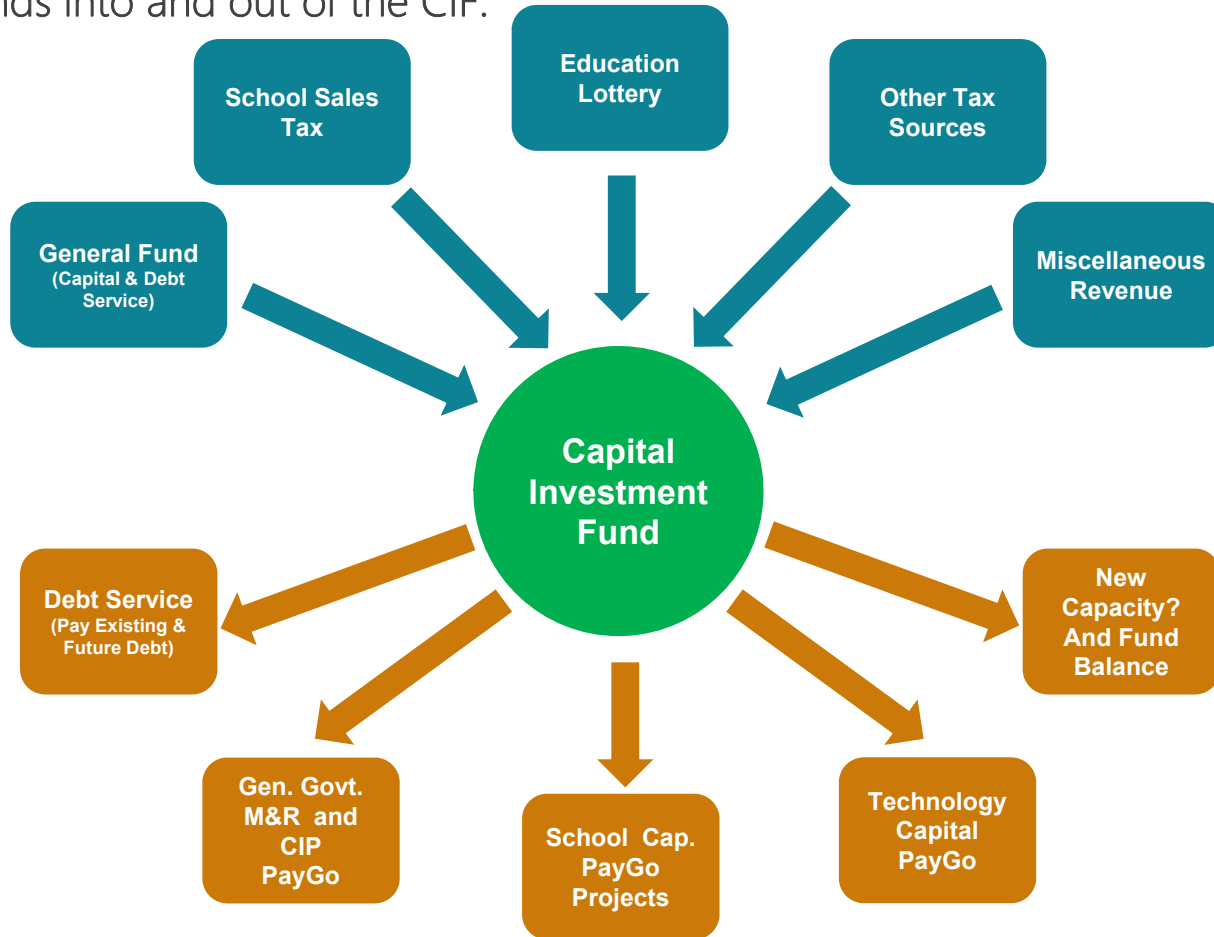
- › Community at large
- › Local Government Commission (LGC)
- › Rating agencies
 - › Understand comprehensive debt planning
 - › Financial policies
- › Holders/purchasers of County debt
- › Citizens

Move to best practices

How the CIF Operates

Flow of funds into and out of the CIF:

Mechanics of CIF



CIF Implemented Steps to come

Progress is good, project information/priority needs to come, FY 2022 affordability to follow:

Revenue/existing data side in good order

Includes needed information:

- › All available revenues/resources to CIF identified
 - › Frozen amount from GF
 - › All school related revenues
 - › Existing fund balance transfers
- › Includes current cost
 - › Current debt service & PayGo
- › Future net resources \$ known when –
 - › Project cost data and timing available
 - › Good progress – schools and county wide
 - › Current resource capacity determined

Project needs and timing

Future CIP needs to come:

- › CIP under development
 - › General needs under assessment
 - › Project timing to come
- › Schools needs are being reviewed
 - › Project needs prioritization
 - › Cash flow projections by project
 - › Further analysis on cost and essentiality
- › County Manager reached out to obtain cash flow and other data and offer help as needed

2022 budget decisions essential for
affordability determination

CIF Implemented

Financial policy development

Current policy review/update moving well with presentation/discussion during budget process:

Policies include multiple areas

Financial policies cover all areas of operations:

- › General Fund policies
 - › \$s movement to capital investment
 - › Fund balance retention and growth
 - › Others
- › CIF policies
 - › Fund balance levels
 - › Use of borrowed and PayGo
 - › Others
- › Potential other policy areas
 - › Investment policies
 - › Others

Policy outcomes

Blends policy side direction and operational needs:

- › Sets forth policy direction
 - › Financial strength and consistency
 - › Ability to meet financial exigencies
 - › Guide management
- › Management policy implementation
 - › Budget development and implementation
 - › Maintaining financial position, rating upgrade
 - › Defining performance and outcomes
 - › Provide ability to manage consistent with policy direction
- › Transparency to County citizens

Sound policies essential for strong
finances and ratings

CIF Implemented Financial policy development

Credit ratings and reliance on County policy and execution:

Rating determination methods

Four areas for the rating metrics (Moody's):

- › Area economy – 30%
 - › Emphasis on economic growth and diversity
 - › Per capita wealth measures
- › County finances – 30%
 - › Emphasis on f/b levels and future growth
 - › Liquidity and future cashflow needs
- › County management – 20%
 - › Budgets and forecasts
 - › Consistency in management
- › Debt and pensions
 - › Outstanding debt and unfunded pension \$s

Each rating agency places strong emphasis on policies

County influences

Consistent policy and management directions:

- › Economy – least influenced by the County
 - › County growth initiatives contribute
- › County finances and management – most control
 - › Sound and consistent f/b policies
 - › Balanced budgets – reliance on recurring revs
- › Debt and pensions – less important than finances
 - › Ability to pay top driver
- › Why work for highest ratings?
 - › Lower interest cost and greatest flexibility
 - › Ability to structure debt and repayment
 - › Greatest access to financial markets

CIF Implemented

Preliminary debt affordability model outcomes

Ten-year affordability model first cut capacity forecast:

Model gives preliminary affordability

- Model shows capital invest. from dedicated CIF \$s:
- › G.O. bond authorization \$250 million – fully funded
 - › \$60 million issued 2018
 - › \$190 million est. issuance - 2022, 2025, 2028
 - › Positive - use draw notes (private sector mode)
 - › Potential additional future capacity
 - › \$105 million estimated issuance - 2024, 2029
 - › Plus nearly 6 million annual PayGo
 - › Conservative projection assumptions
 - › Revenue growth, interest rates, debt structure
 - › If actual beat assumptions – capacity grows
 - › Importance of prudence in projection

What needs to happen to finalize results

- Future CIP provides data to finalize affordability:
- › CIP under development
 - › General needs under assessment
 - › School needs being reviewed
 - › Cash flow and timing to come
 - › Project size and priority to come
 - › Projects need prioritization
 - › Further analysis on cost and essentiality
 - › Timing often more impactful than project size
 - › Project \$s, priority and timing determined – final affordability model results

Preliminary affordability positive –
CIP will determine final outcome

Next steps and Final questions

1. Staff created process to obtain needed information from Schools and other departments
2. Current February work session to present/discuss progress on affordability model and preliminary results
3. Staff presents Community Investment Fund and accompanying CIP during budget time
 - Affordability model
 - Future debt capacity
4. Present updated County financial policies during budget time
5. Adopt CIP, CIF and policies as part of FY 2022 budget



Thank You