County Financial Planning and Community Investment Fund Update

Presented to County Commission on February 8, 2022

DEC Associates, Inc.
Defining Emerging Concepts

CONTENTS AND GENERAL INTRODUCTION

Purpose of this presentation and discussion – review and update

- County's financial planning decisions since 2019
- Decisions moved Gaston to the highest level of County planning
- Community Investment Fund (CIF), expanded debt affordability analysis and impacts on credit rating
- Update of County comprehensive financial policies
- Debt affordability model and where we are now
- Future strategic decisions needs
- To answer your questions

PLANNING ESSENTIALS PREVIOUSLY IDENTIFIED

Planning provides:

- Road map/evaluate current policies
- Achievement objectives
- Measure and achieve debt affordability
- Greater financial alternatives
- Tool to match needs with priorities
- Means to improve cost efficiency
- Annual review - can change as needed

County-wide financial policies

- Financial, Debt and Others

2019 DECISIONS TO MOVE TO HIGHEST PLANNING LEVEL

Gaston – decision drivers:

- Growth and maintenance of existing assets
- Aid to increase economic development
- Management focus on planning and cost-effective service delivery
- Ability to plan for the longer term
  - Especially capital investments
  - Operating costs they often bring
  - Greater ability to manage unforeseen financial events
- Sets the stage for improving financial standing and ratings
- Local Government Commission regards planning highly

2019 DECISIONS TO MOVE TO HIGHEST PLANNING LEVEL

Establish a CIF – to best manage and plan for community needs

- Dedicate specific revenues to capital formation
- Include all capital investments in one place – borrowed, pay-go, grants, etc.
- Means to fund CIP and to calculate debt affordability

Update County comprehensive financial policies

- Evaluate scope and needed elements for policy
- Delineate policies that provide basis for sound financial results and reserves

Use most cost-effective debt raising tools

- Potential movement to construction period borrowing/take out when complete
- Use structure and appropriate debt modes to aid cost effectiveness

CREDIT RATING CONSIDERATIONS

Long-term planning, CIF, financial policies – add rating strength

- Rating Agencies look at four specific areas – Economy (30%), Finances (30%), Management (20%), Debt (20%) – last three all impacted by financial planning
- Rating categories – triple B, A, double A and highest triple A
- NC Management triple A – known for sound management more than metrics
- Gaston ”locational” strengths and managing to them
- Identify funding sources and long-term capital financial strategies
- Soundness of the financial plan
- Capital plan meet projected County needs?
- Elected officials and management “buy in” to the plan

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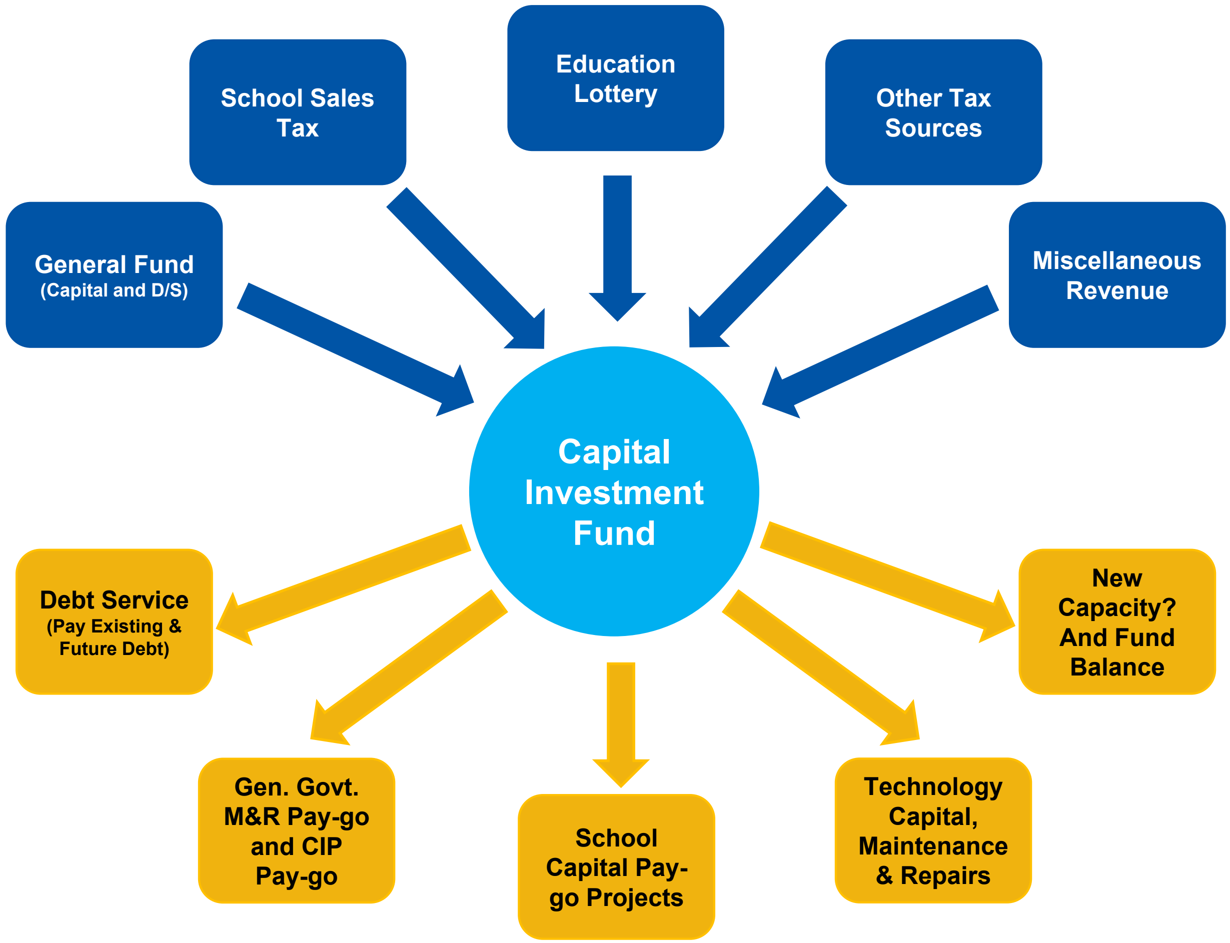
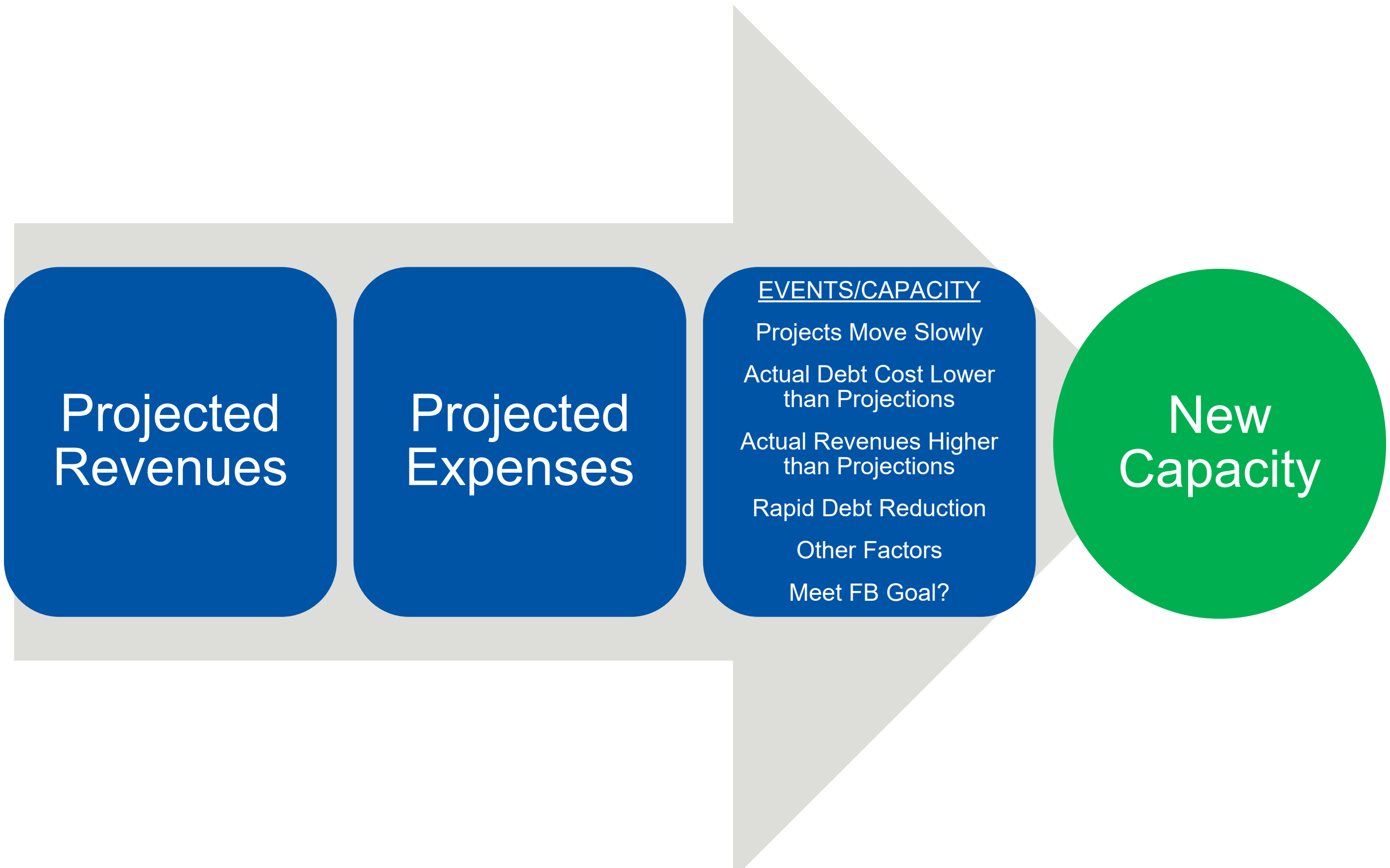
MECHANICS OF CIF



MECHANICS OF CIF DEBT MODEL



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Model Review

FUTURE STRATEGIC DECISIONS

Means to fully fund the CIF:

- Fall issuance of G.O. draw notes for schools
- Establish timing of future projects in spring adopted CIP
- Bridge the funding gap in the CIF
  - Increase GF transfer to CIF in order to create additional capacity and ensure financial integrity/viability for county needed projects
  - Maintain fund balances in CIF to stay in compliance with minimum fund balance policies
  - Evaluate sales tax collections and growth to confirm increase during COVID endures
  - Move one-time revenues (e.g. land sales) to CIF
  - Other?
- Fully review the CIF annually to determine needs are being met

Questions and Comments