



*Vibrant Communities
New Possibilities*

RUTHERFORD

EST. COUNTY, N.C. 1779

County Financial Planning and Policy Update

Presented to County Commission - September 3, 2024

CONTENTS AND GENERAL INTRODUCTION



Purpose of this presentation and discussion:

- Defining the role of a financial advisor
- County's financial planning accomplishments
- Focus on County financial practices
- Importance of maintaining fund balance
- Potential adoption of financial policies
- To answer your questions

ROLE OF FINANCIAL ADVISOR

Financial advice provides (when contracted)

- Independent advice from registered advisors and firm – MSRB & SEC
- Advisors act as fiduciary for the County
- Advice that informs the County
 - Financial planning and financial policy advice
 - Specific structure advice for bond issues
 - Assist with ratings and work with the LGC
 - Debt affordability modeling
 - And others
- Means to augment County staff
- Resource for other financial elements

FINANCIAL PLANNING ACCOMPLISHMENTS



Maintain a capital affordability plan for pay-go and borrowed capital projects

- Set aside resources for capital separate from the general fund
- Means to fund CIP and to calculate debt affordability

County financial practices

- Evaluate scope and needed elements
- Emphasis on GF fund balance – common practice

Maintain high credit ratings

- Recognition of the sound level of financial planning and maintenance of fund balance
- Ability to plan for the longer term
- Lower interest cost and insure access to capital markets

CREDIT RATING CONSIDERATIONS

Public offering method for debt requires a rating

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

- Rating Agencies four specific areas
 - Economy (30%), Financial Performance (30%) , Institutional Framework (10%), Leverage (30%)
 - last three all impacted by financial planning
- 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

IMPORTANCE OF FUND BALANCES

Provides protection from future economic changes (rainy day fund) - recession as example

Provides ability to potentially meet unforeseen one-time financial events

Provides "cash liquidity" to meet expenses that are not in sync with revenue collections

Demonstrates a focus on sound financial management

LGC focus on fund balance levels and peer comparisons

Essential to maintaining high credit rating - 30% of rating based on fund balance levels and can be offset to other criteria – economy as an example

FUND BALANCE PRACTICES

Maintain fund balance at a level to accomplish the following:

- Provide adequate liquidity to manage expenses to revenues
- Meet and hopefully exceed peer level county fund balance level (LGC policy)
- Level set to provide balance to economic development activity
- Create \$s available in unstable economic times
- Create maximum financial flexibility

What has been accomplished as a result:

- Fund balance has increased – multiple reasons (COVID sales tax collections)
- Achieved a position to give flexibility - earlier view that a recession was likely
- Provided ability to meet one time needs as a result of inflationary costs
- Provides basis to look at adopted fund balance policy

GENERAL FUND FUND BALANCE METRICS

Current fund balance level

- Audited 2023 level - \$41,770,350 unassigned
- Fund balance measured in multiple components in the audit
 - Unassigned, Assigned, Restricted, Committed

LGC peer county comparison: (Rating agencies have strong view of our fund balance levels)

County	Population	General Fund Expenditure	Fund Balance Available	FBA as % Percent GF Exp	Ratings		
					Moody's	S&P	Fitch
Beaufort County	43,993	71,929,917	33,492,558	46.56	Aa3	--	--
Duplin County	48,728	64,957,198	39,075,095	60.16	Aa3	AA-	--
Edgecombe County	48,246	71,360,255	21,586,748	30.25	A1	--	--
Halifax County	47,251	71,290,437	49,997,789	70.13	--	--	--
Lenoir County	54,105	65,983,790	42,026,142	63.69	Aa2	AA-	--
Rutherford County	64,176	74,355,714	46,858,655	63.02	Aa3	AA-	AA
Sampson County	58,978	86,508,860	37,577,156	43.44	Aa3	A+	--
Wilkes County	65,691	93,457,111	40,135,244	42.95	Aa3	AA-	--

FUND BALANCE POLICY

Consider adoption of a BOCC fund balance policy, including potentially:

- Adopted as part of annual budget – hence annually reviewed and confirmed
- Set a policy at the unassigned component level – use a range
- Range of 45% to 55% of unassigned component
- Use of amount over 55% - discuss possibilities/other county methods
- How to restore to 45% if under
- Fund balance use only on one-time purposes – capital or extraordinary other costs
- Other elements

BOCC adopted policy, with certain elements, considered a credit and LGC positive

POTENTIAL FUTURE DECISIONS

Is a more formal BOCC policy the preferred County direction?

Policy implementation with 2026 budget?

Calendar to study the policy and come to decisions on elements of it?

DEC would provide assistance to County

Questions and Comments