



# COUNTY OF ONSLOW

## Update of the Long Term Financial Planning Process and Debt Capacity Model for General Government

Presented to County Commission on April 11, 2016

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# GENERAL INTRODUCTION

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- ▶ County is highly rated and manages on a prudent financial basis based upon Rating Agency assessment
  - ▶ Current Ratings of Aa2 from Moody's and AA from Standard & Poor's
  - ▶ County received an upgrade from Standard & Poor's on August 28, 2014 to AA
- ▶ County began long term financial and capital planning in 2008 in view of significant capital and operating needs
- ▶ Continuation of the long-term financial plan and debt affordability essential to strong management and ratings
- ▶ DEC Associates advisor Since 2007 - current financial update one of many to County Commissions and public

# REVIEW OF LONG TERM FINANCIAL PLANNING

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- ▶ Importance of Financial Planning
  - ▶ Provides a road map
  - ▶ Sets policies and achievement objectives
  - ▶ Measures achievement
  - ▶ Provides for annual review and can change as needed
  - ▶ Provides for greater financial alternatives
  - ▶ Provides tool to match needs with priorities
  - ▶ Sets the stage for improving financial standing and resulting credit ratings

# REVIEW OF LONG TERM FINANCIAL PLANNING

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## ▶ Building a Debt/Capital Capacity Analysis

### ▶ What is it anyway?

- ▶ A blending of available resources/revenues
- ▶ A definition of needed capital facilities and prioritization
- ▶ A preliminary development of debt structures
- ▶ A statistical analysis to define capacity to meet the capital needs

### ▶ What does it include?

- ▶ Assumptions on growth, cost, timing, etc.
- ▶ Analysis of various funding scenarios and structures
- ▶ “What if” analysis

# REVIEW OF LONG TERM FINANCIAL PLANNING

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- ▶ Debt Affordability Model Development
  - ▶ Identifying current resources currently used to for capital/debt
    - ▶ Ad Valorem, lottery funds, miscellaneous revenue, etc
  - ▶ Current debt service and paygo are layered to give a picture of resources needed until all current debt is paid off
  - ▶ New contemplated capital projects are added to identify when/if/how resources need to be adjusted to meet new additional debt service
  - ▶ From there, strategies can be analyzed to temper spikes in additional resources needed for new capital projects
    - ▶ Dedicated capital fund; change timing of projects; change scope or size of projects

# REVIEW OF LONG TERM FINANCIAL PLANNING

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## ▶ County Debt Capacity

- ▶ State statute provides for up to 8% of Assessed Value for General Obligation/COPs/LOBs debt
  - ▶ County currently at 1.21% - Significant Statutory Capacity Remains
- ▶ Resources/Revenues dedicated by the County sets the real capacity
  - ▶ Starting in Fiscal 2010, County Commission raised property taxes 6.25¢ to dedicate to capital formation and debt service
  - ▶ County also “froze” the budget allocation to debt service in FY2010 and continues to dedicate this budgeted amount to capital formation and debt service
  - ▶ Positives of creating a dedicated revenue stream instead of one that fluctuates from budget year to budget year

# RATING IMPACTS

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- ▶ Credit Rating Considerations – Capital Planning and Affordability
  - ▶ Soundness of the financial plan – Needs are present and failure to address them a credit negative
  - ▶ Does the Capital Plan meet projected County needs?
    - ▶ Especially for growth counties like Onslow
  - ▶ County management and elected board “buy in” to the Capital Plan/Debt Affordability
  - ▶ Wealth levels and other financial metrics
    - ▶ Moody’s General Government Criteria
      - ▶ Economy/Tax Base 30%
      - ▶ Finances (Liquidity) 30%
      - ▶ Management 20%
      - ▶ Debt/Pensions 20%

# COMPARISON TO PEERS

## ► Onslow Debt/Tax Value Metrics with comparisons

	Carteret	Chatham	Dare	Onslow
Per Capita Debt	\$778 (\$53.77M)	\$2,203 (\$148.98M)	\$4,156 (\$152.45M)	\$820 (\$158.93M)
Per Capita Valuation	\$219,262 (\$15.36B)	\$139,281 (\$9.41B)	\$349,094 (\$12.85B)	\$67,226 (\$13.03B)
Per Capita Debt as % of Per Capita Valuation	0.35%	1.58%	1.19%	1.21%
Population	70,079	67,620	36,832	193,925

# DISCUSSION OF CURRENT MODEL

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## ▶ General Government Model

- ▶ Contains all current debt service, current resources, and currently anticipated future capital projects
- ▶ Conservative assumptions on growth rates, interest rates, and sizes of projects help mitigate planning errors
  - ▶ 1% growth of tax base (Appraised Value)
  - ▶ 0% interest earnings in dedicated capital improvement fund
  - ▶ 0% growth in lottery proceeds
  - ▶ Future interest rates assumptions are higher than current markets to mitigate future interest rate risk (currently run at 5%, as markets move this assumption is adjusted)

# DISCUSSION OF CURRENT MODEL

► Financings since 2008 – Total \$169,238,440

<b>When</b>	<b>Project</b>	<b>Amount</b>
March 2008	GOs - Schools	\$40,000,000
June 2008	Private Placement – Jail Sitework	\$3,825,000
November 2008	Private Placement – Jail Complex	\$57,000,000
December 2012	LOBs – Administration Building & Library	\$30,035,000
December 2012	LOBs – Airport	\$8,465,000
November 2013	Private Placement – CC Maintenance & Radios	\$9,643,440
September 2015	LOBs – DSS & Health, Maintenance Garage	\$20,270,000

# DISCUSSION OF CURRENT MODEL

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► Future Projects to be Issued – Total \$46,255,000

<b>When</b>	<b>Project</b>	<b>Amount</b>
September 2016	LOBs – Courthouse & Others	\$26,405,000
September 2018	LOBs – Library & E.O.C.	\$19,850,000

# SUMMARY OF CURRENT MODEL

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- ▶ Current model remains healthy with conservative assumptions, timing, and sizing of projects
- ▶ No need to raise additional revenue for current and future debt service projected
- ▶ New projects could be issued in FY22 as capacity starts to increase

# CLOSING COMMENTS/QUESTIONS

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- ▶ Next Steps
- ▶ Questions



# COUNTY OF ONSLOW

## Update of the Long Term Financial Planning Process and Debt Capacity Model for Schools

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# REVIEW OF LONG TERM FINANCIAL PLANNING

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- ▶ School Model created March 2014 after consultation with the School Board and County Commission
  - ▶ Significant School needs over the next 10 years prompted the need to create a separate long term financial plan
    - ▶ Plan included the construction of six new schools in the County
    - ▶ Total estimated issuance of \$145,175,000 over 10 years
    - ▶ Issued approximately every two years
  - ▶ County and School Board saw an advantage to separate school needs from general government needs and dedicate specific revenues for each
  - ▶ Model adopted in 2014 created “decision points” for future Boards to raise additional revenue to be able to construct the next two school projects

# DISCUSSION OF CURRENT MODEL

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## ▶ School Model

- ▶ \$13M contributed from School Board to create a dedicated capital improvement fund separate from the General Government dedicated capital improvement fund
- ▶ County Commission raised and dedicated 2¢ to contribute to School Model for Dixon Middle and Richlands Elementary
  - ▶ New resources needed in FY19 (2.15¢) for the issuance of West Central and New Southern Elementary
  - ▶ New resources needed in FY23 (2.15¢) for the issuance of Northwoods Park and Midwest Middle
- ▶ Lottery revenue moves to the School model in 2029 after previously issued Schools GO Bonds mature

# DISCUSSION OF CURRENT MODEL

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## ► Financings Completed

<b>When</b>	<b>Project</b>	<b>Amount</b>
September 2015	LOBs – Dixon Middle	\$26,695,000

# DISCUSSION OF CURRENT MODEL

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► Future Projects to be Issued – Total \$114,895,000

<b>When</b>	<b>Project</b>	<b>Amount</b>
September 2016	LOBs – Richlands Elem	\$26,405,000
June 2019	LOBs – West Central	\$22,990,000
June 2021	LOBs – New Southern Elem	\$23,460,000
June 2023	LOBs – Northwoods & Midwest Middle	\$42,040,000

# SUMMARY OF CURRENT MODEL

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- ▶ Current model remains healthy with conservative assumptions, timing, and sizing of projects
- ▶ 2¢ raised in FY15 will cover debt service on Dixon Middle and Richlands Elementary
- ▶ 2.15¢ needed in FY19 in order to move forward with construction of West Central and New Southern Elementary
- ▶ 2.15¢ needed in FY23 in order to move forward with construction of Northwoods Park and Midwest Middle Schools

# CLOSING COMMENTS/QUESTIONS

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- ▶ Next Steps
- ▶ Questions