



Chairman Hires & Vice Chairman Thomas


Press Conference

July 23, 2021



Revenues and Expenditures

The following slides will attempt to:

- Clarify the difference between the Total Net Position of the county and the county General Fund
 - Review the financial condition of the county General Fund
 - Review of the challenges and successes of managing the General Fund and property taxes
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County Net Position Revenues and Expenditures

Recently, figures were requested for the total Revenues & Expenses of the county from 2017 through 2020. The numbers are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
2017	\$30,254,301	\$27,156,329
2018	\$34,284,254	\$27,789,344
2019	\$32,642,759	\$29,468,474
2020*	\$26,064,185	\$21,422,492

These figures represent the audited total net position of the county with the exception of 2020, which are non-audited General Fund figures, and not a true comparison with the total NET POSITION of the previous years figures.

Further Detail of the Net County Position

These figures represent a more detailed account of the Total Net Position of the county, which represents ALL Funds including the General Fund and Special Purposes Funds. The 2020 figures represent the non-audited General Fund and is not a true comparison with the total Net Position of the previous years.

<u>Revenues</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>* 2020</u>
Charges for Services	\$ 4,074,302	\$ 4,280,001	\$ 4,591,667	-
Operating grants & Contributions	\$ 304,410	\$ 467,653	\$ 282,842	-
Capital grants & Contributions	\$ 1,624,021	\$ 1,297,264	\$ 1,691,139	-
Property Taxes	\$ 10,839,917	\$ 14,666,910	\$ 14,958,842	-
Local Option Sales Tax	\$ 1,754,442	\$ 1,757,167	\$ 1,935,752	-
Special Purpose Local Option Sales Tax	\$ 9,476,906	\$ 6,353,963	\$ 4,745,391	-
Other Taxes	\$ 1,588,507	\$ 2,454,508	\$ 1,992,105	-
Interest & Investment earnings	\$ 7,033	\$ 7,055	\$ 30,161	-
Other Revenue	\$ 584,763	\$ 2,999,733	\$ 2,414,860	-
	<u>\$ 30,254,301</u>	<u>\$ 34,284,254</u>	<u>\$ 32,642,759</u>	<u>\$ 26,064,185</u>
<u>Expenses</u>				
General Government	\$ 3,035,784	\$ 3,024,420	\$ 3,215,985	-
Judicial	\$ 2,886,685	\$ 3,055,852	\$ 2,850,719	-
Public Safety	\$ 10,143,338	\$ 9,587,060	\$ 9,253,020	-
Public Works	\$ 7,044,528	\$ 8,360,133	\$ 10,491,724	-
Health & Welfare	\$ 891,305	\$ 785,086	\$ 792,409	-
Cultural & Recreation	\$ 1,769,449	\$ 1,672,235	\$ 1,529,490	-
Housing & Development	\$ 1,114,430	\$ 1,096,551	\$ 1,143,480	-
Interest on Long-term Debt	\$ 270,810	\$ 208,007	\$ 191,647	-
	<u>\$ 27,156,329</u>	<u>\$ 27,789,344</u>	<u>\$ 29,468,474</u>	<u>\$ 21,422,492</u>

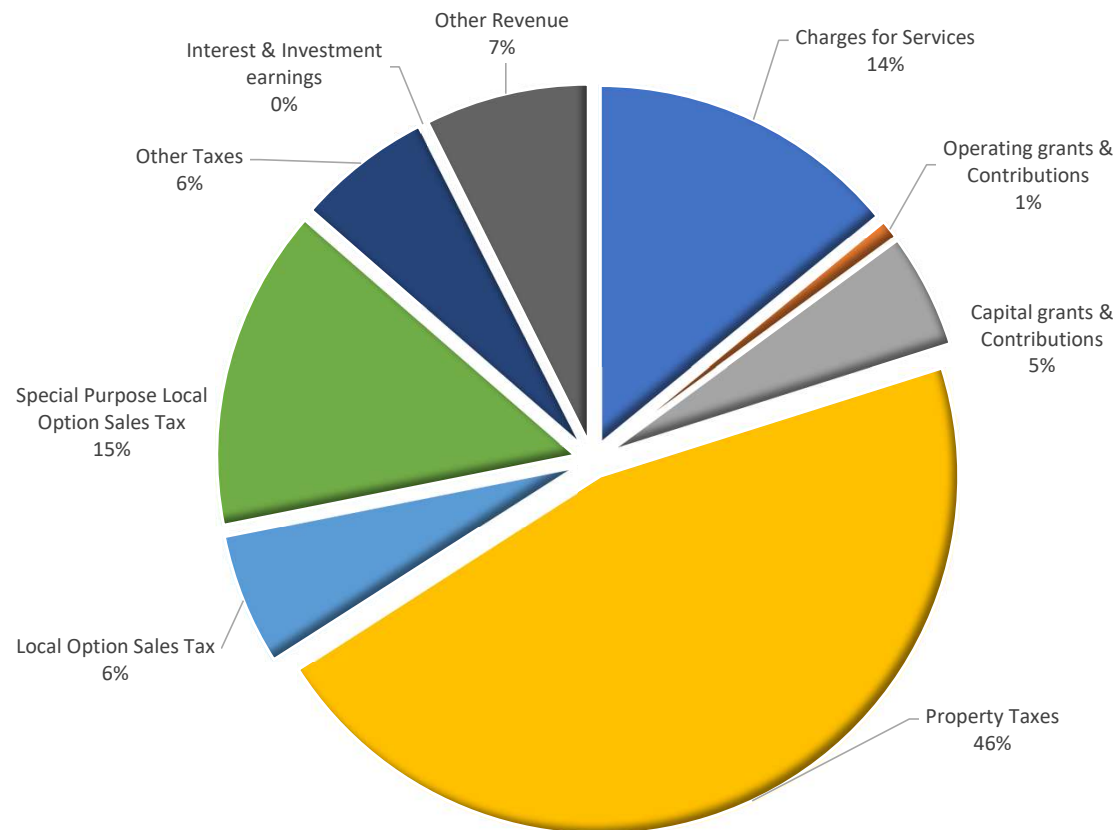
Net County Position Explanation - Revenues

To further explain the revenue side of the Net County Position, the 2019 audit will be illustrated.

Revenue sources Include:

- Property Taxes
- Local Option Sales Tax
- Special Purpose Local Option Sales Taxes (SPLOST & TSPLOST)
- Charges for Services
- Grants, interest, and other taxes & revenue

In 2019, nearly 20% of the revenues were not associated with the General Fund. That revenue is dedicated for special purposes outside the General Fund. In addition, this revenue can be for projects that are years in the making.



Net County Position Explanation - Expenditures

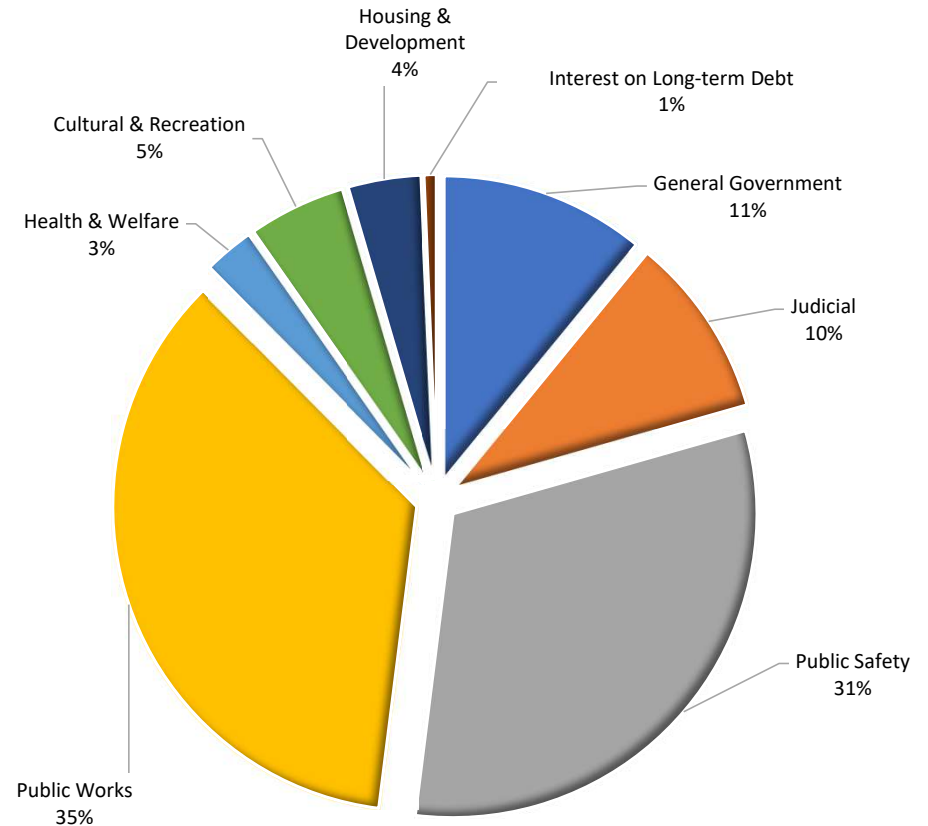
To further explain the expense side of the Net County Position, the 2019 audit will be illustrated.

Expense categories include:

- General Fund (Day to day maintenance & operation)
- Special Purpose Local Option Sales Tax projects or items (SPLOST 3/4)
- Transportation Special Local Option Sales Tax projects (TSPLOST)
- Local Maintenance Infrastructure Grant projects (LMIG)
- Other Grants or Special Purpose funding expenditures

The Net Position figures include expenses related to the General Fund, as well as expenditures such as paving roads and other special purpose projects or items, which may come from special purpose revenues from prior years.

In 2019 approximately 25% of these expenditures were not associated with the General Fund.



General Fund Budget Explanation

The General Fund is the funding source for the maintenance & operational (M & O) activities of the county.

The General Fund pays for the day to day operation of the County which includes:

- County employee Salaries, benefits, and related expenses
- Operating supplies
- Maintenance repairs of vehicles, equipment, and facilities
- Equipment and other small capital operational needs
- Administrative and financial requirements

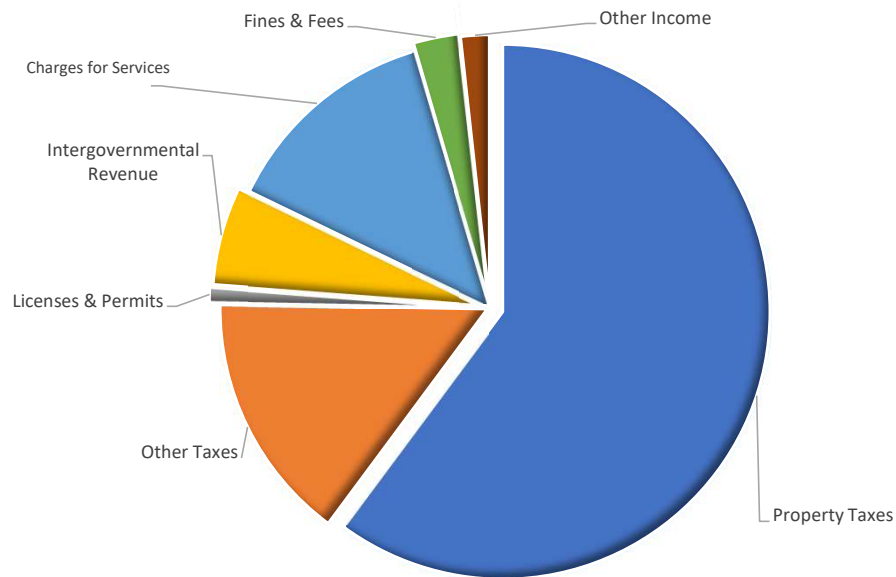
Revenue Sources for the General Fund include:

- Property taxes (exclusively)
- Local option sales tax, and other taxes
- Fees for services, and fines
- Intergovernmental revenues
- And Grants.

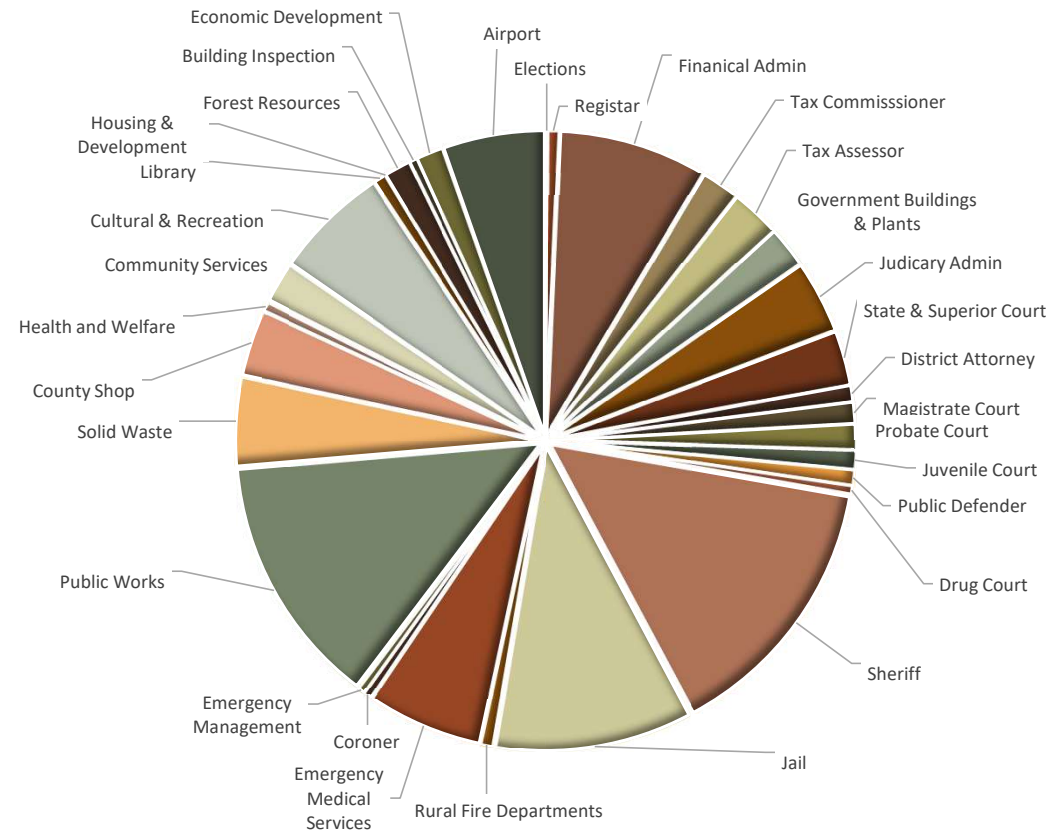
SPLOST, TSPLOST, & LMIG Funds are **NOT** funding sources for the General Fund.

General Fund Budget Explanation - Continued

In 2019, property taxes supported approximately 60% of all the maintenance and operational activities of the county. As shown, the expenditures include a vast array of services.



2019 General Fund Audited Final Budget Expenditures \$22.4MM



General Fund Budgets

To review the financial condition of the county’s General Fund, the last 5 audited budgets will be illustrated.

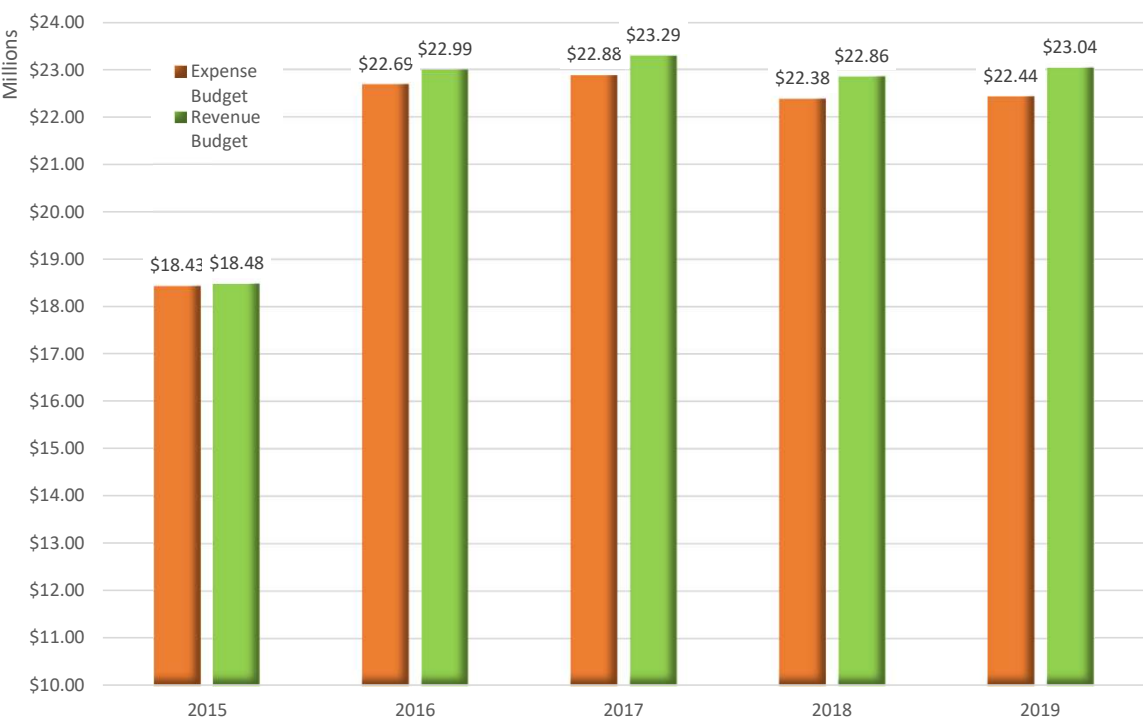
The five Year audit history of the general fund shows an increase of 23% in 2016, then remaining relatively flat year over year through 2019.

However, the 2016 real revenues did not match the budgeted revenue increases that year.

In fact, the tax digest (the value of a mil) had been dropping in the previous years, with no increase in millage rate. The Local Option Sales Tax revenue had been significantly declining as well.

The tax digest would continue to drop until 2019, and there were other revenue sources that would be diminished or completely go away due to legislative actions.

Wayne County General Fund Audited Final Budgets 2015-2019
(Audited General Final Budget)



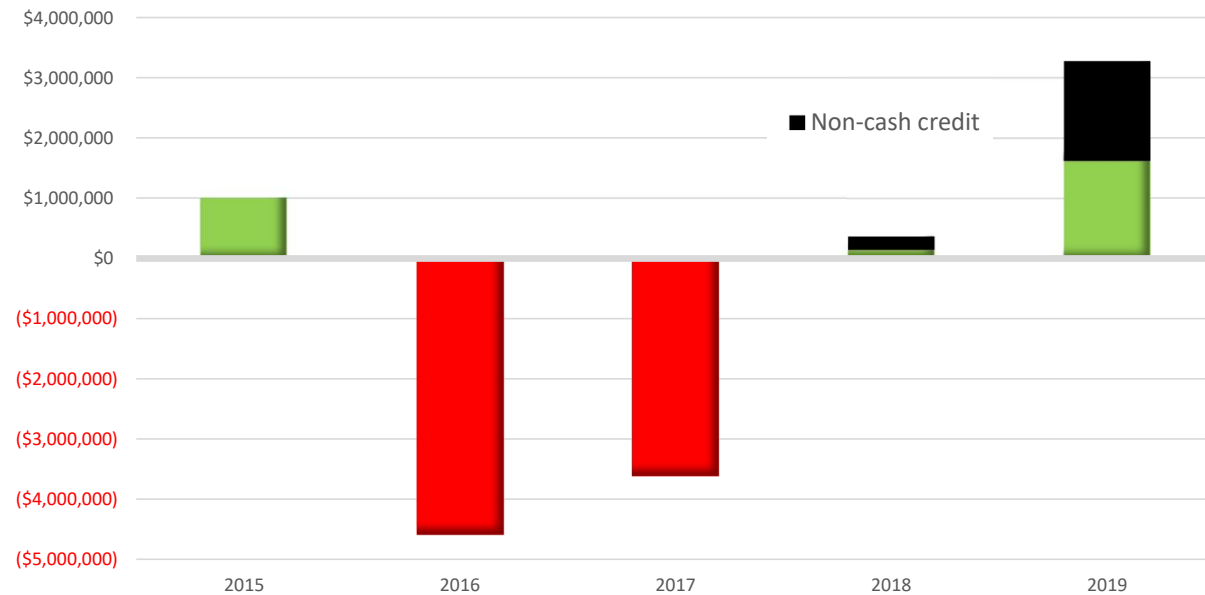
General Fund Variance to Budget Revenues

In 2016 & 2017, revenues for the General Fund fell short of budgeted amounts by a total of \$8.2MM. The Short falls in revenues were made up with funds from restricted accounts that should not have been utilized, which totaled \$5.7MM.

The 2018 variance included the 5 mil increase in property taxes.

Revenues in 2018 & 2019 also included non-cash credits booked by the auditors for partial in-kind payback of the \$5.7MM utilized in 2016 & 2017.

Revenue Variance to Budget (Audited Actual vs Final General Fund Budget)



General Fund Variance to Budget Expenditures

Expenses for the General fund were under budget each of the illustrated years.

In 2016 & 2017 expenses were under budget by a total of \$3.5MM. However, the revenue short falls for these years resulted in a combined deficit of \$4.6MM.

Again, the short falls were made up from restricted accounts that should not have been utilized, which totaled \$5.7MM.

In 2018 figures largely reflect aggressive management actions and cost deferments in response to the deficit crisis of the previous two years.

Expense Variance to Budget

(Audited Actual vs Final General Fund Budget)



County Long-Term Liabilities

The county's long term liabilities are:

Other Post-employment Benefits (OPEB)

For Wayne County this is retiree healthcare costs. This obligation has increased 35% from 2015 to 2019. The calculated cumulative liabilities for OPEB in 2019 were over \$20MM.

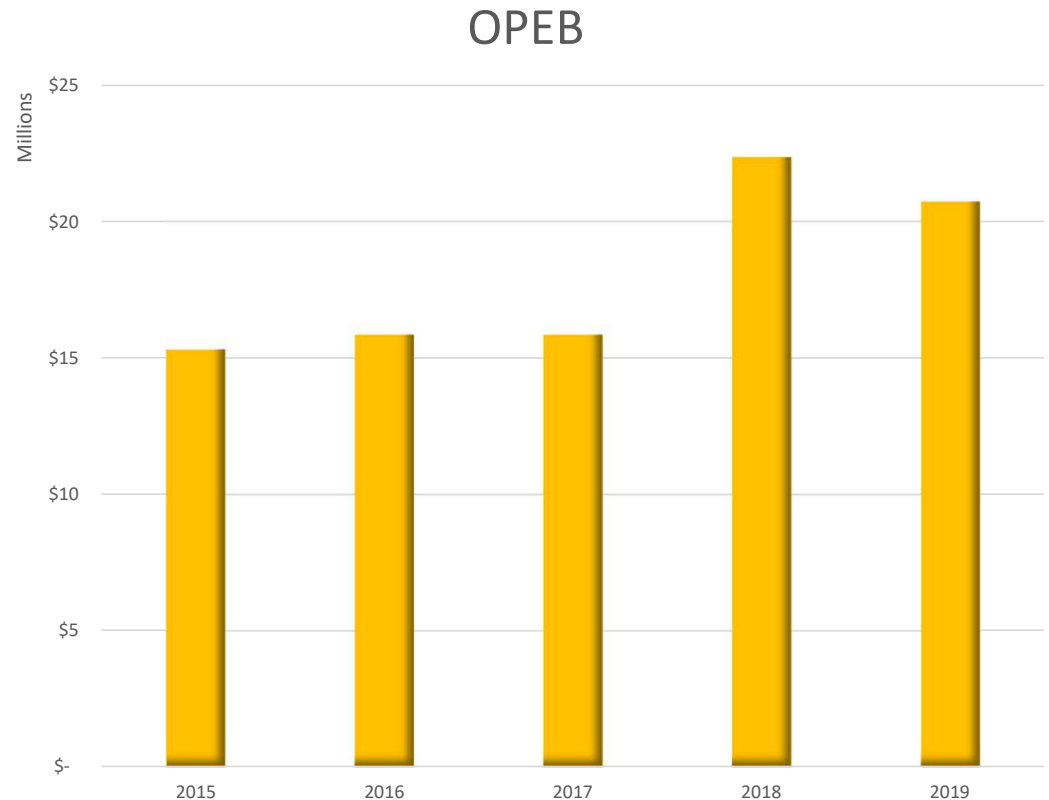
County owned Landfill Post Closure liabilities

Long-term cumulative post closure care costs of the county closed landfills is estimated at over \$2.5MM

Although long-term liabilities have been funded on a yearly basis within the General Fund budget, the recent short fall in revenues would have jeopardized the county's ability to meet these obligations.

The 2019 audit shows a total combined obligation of \$22.5MM.

There is no special funding source or account to provide for these liabilities.



Demands & Costs for Services

All of us expect that law enforcement will keep us safe and to come to our aid when we need them. We expect that emergency medical services will show up quickly and with the resources required to help us in an emergency, and that the fire department will save our lives and our property. We expect roads to be traveled upon safely and reliably. We desire places to come together, recreate, and play ball. We expect our day in court, and we need the criminals off the streets. We expect help with our elderly, our needy, and our less fortunate, and we depend on agencies that help us with information and aid in our homes and businesses. All these expectations come with costs!

The 2016 - 2019 audited General Fund budgets were fairly flat year over year despite inflationary pressures on goods and services, demand for services, and governmental requirements. However, these pressures have increased recent budgets.

Some examples of these pressures are:

- Employee merit & cost of living increases are approximately \$200k/yr.
- Healthcare costs can be unpredictable & a major factor on the budget.
- The cost of operating equipment, machinery, and vehicles also add pressures on the budget.
- Changes in Federal/State laws & regulations, as well as other non-governmental agency actions add inflationary pressures. (*Elections*)
- Increasingly more demands on & for services have an effect on costs.
(*The addition of a 24 EMS crew increases net funding requirements by \$200K-\$300K/yr*)
- Growth of the county adds demands for services, thus pressure on the budget.
- The *UNEXPECTED*. (*Weather, etc.*)

To meet these inflationary challenges, county employees have deferred/postponed needs, all while striving to meet and improve upon the services they provide for the county. To illustrate that point, until the recent directive by the BOC to increase the EMS coverage, the overall number of current full-time employees was 5% below the levels in 2017. This is while maintaining or improving the quality of services provided by the county.

But ultimately, budgets do go up based on inflation, demands for service, and mandates.

General Fund Audited Final Budgets 2016-2019

(Audited General Fund Final Budget)



Property Taxes vs General Fund

Property Taxes are exclusively used for the General Fund, and these taxes account for approximately 60% of the total revenues of the General Fund.

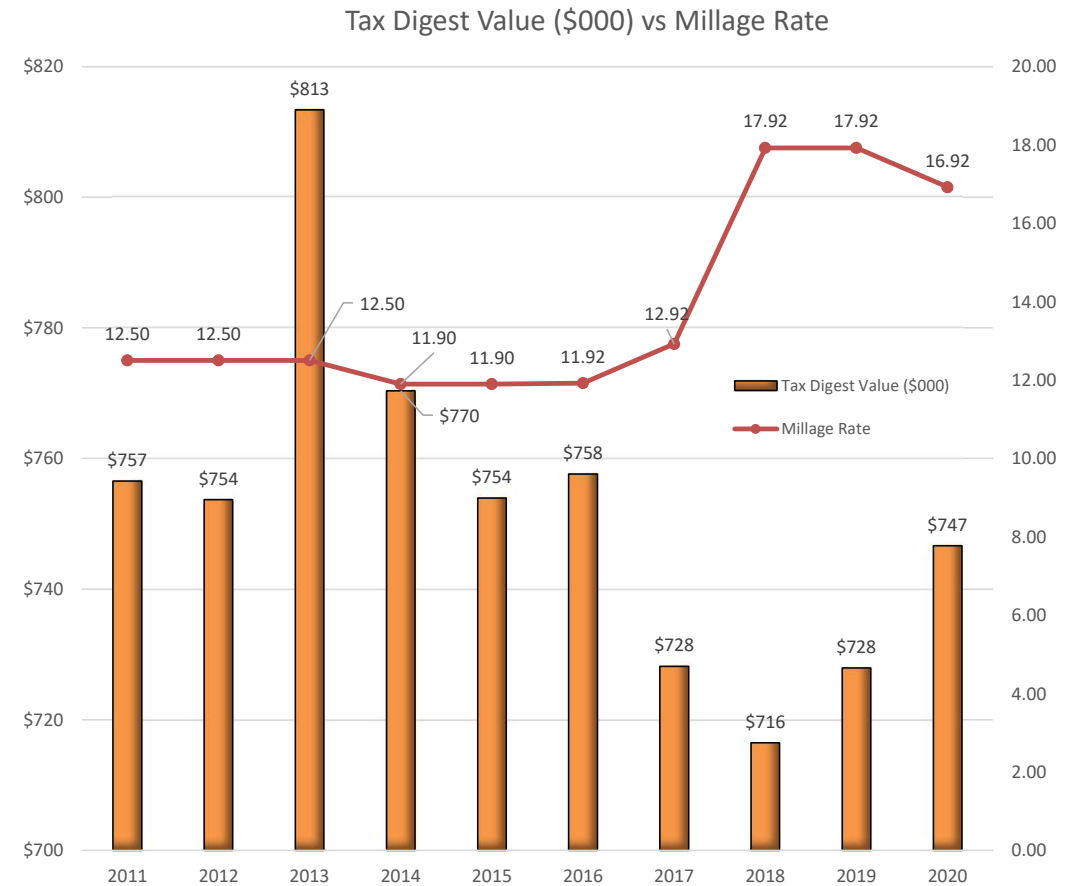
Property taxes are determined by the product of the millage rate and the assessed value of the taxable property. The millage rate is set each year by the Board of Commissioners from the value of the tax digest and the needs of the General Fund.

A financially sound setting of the millage rate is based on two major factors, the new growth of the Tax Digest, and the General Fund revenue and expense budget projections.

Over the past decade, the value of a mil (tax digest value) has declined 2%, with dramatic swings up and down in-between. Through these swings, the millage rate stayed fairly constant until 2017 despite the budget increase in 2016.

After a significant increase in 2018, the millage rate was reduced in 2020 by 1 mil based on a measured improvement of the tax digest and the General Fund budget projections. The same basis will be applied in 2021.

While there is new growth happening in Wayne County, some of the major new growth investments have incentives that delay the contribution to the tax digest by several years.



Commitment and Accountability

With the tax increase in 2018, the expectation & the goal was to get the county in a more financially stable condition and to start reducing the millage rate within two years as new growth of the tax digest and budgets allowed. This commitment was kept with a millage rate reduction of 1 mill in 2020.

Having a financially stable General Fund is essential in maintaining and improving the assets of the county, as well as being able to meet the demands for improved or new services. The capability of handling unexpected expenditures is a necessity. This means having the cash to meet these requirements. To that point, the 2017 audit shows on December 31st there was less than \$600k available cash and this is with a tax due date of November 2018, and with monthly payables of between \$1.6MM - \$2MM. This is also after property taxes were due in November 2017. The 2019 audit shows improvement with \$6.8MM on hand on December 31st with the same monthly payables and tax due date of November 2020.

In the past, borrowing money from “Peter to pay Paul” was essentially how the county managed cash flow. In recent years, borrowing against taxes due in November dropped from \$4.5MM borrowed in January 2017 to currently a borrowing estimate of \$1MM to \$2MM in mid to late summer of 2021. In addition, \$500k of the \$1MM owed to the GOBond has been repaid, as well as \$3.68MM of the \$4.7MM owed to TSPLOST with in-kind General Fund monies spent for road work.

Although the reckoning of the county’s financial condition was very painful, the county’s financial position has improved, and the lessons learned from this reckoning have formed the basis of the current strategies and objectives of managing the county’s financial business.

These strategies and objectives are to manage the budgets to meet the demands required of this government and the desires of the county citizens, to have the capability to weather the unexpected, to strive to minimize the burden of the tax payer, and to continuously plan for a better future for Wayne County.