

The Town *of* Davidson

College Town. Lake Town. *Your Town.*

Financial Overview



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Finance Department
February 13, 2018

Presentation Overview

- Fund Balance
- Economic Outlook
- Interest Rates
- 2019 Revaluation
- Public Facilities
- G.O. Bonds
- Long-term Financial Plan

Fund Balance

- Finance Policy states that at June 30, 35% of next year budget will be a stabilization threshold goal
- UFB above the 35% can be used for Capital Projects
 - Either direct funding or match dollars
- UFB should be used for one-time projects – not ongoing expenditures
- Often referred to as the “Town’s Savings Account” or “Piggy Bank”
- At June 30, 2017 UFB was \$7.35 million (66% of the FY2018 budget)
- The 35% stabilization threshold was \$3.88 million
- Currently, the Town has \$1.57 million of unassigned fund balance over the 35% threshold

Fund Balance Strategy

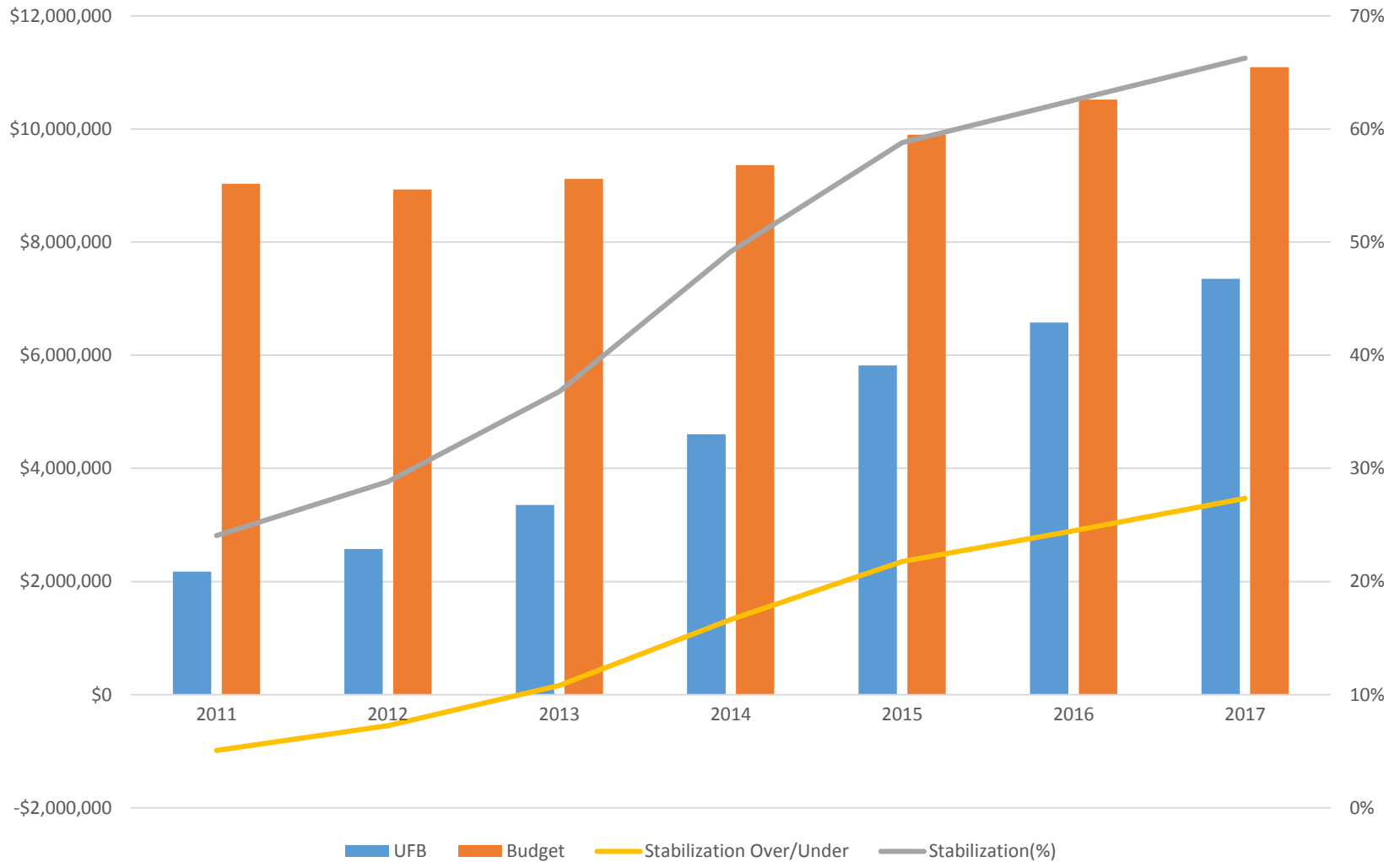
- “Save our powder” to take advantage of opportunities.
 - Match Grant Funding
 - Land Acquisition
 - Other “pop-ups”
- Intentional Savings for Specific Needs
 - Capital Projects/Purchases
 - Up-front Costs for G.O. Projects
- A healthy fund balance is favorable to lenders and rating agencies

Fund Balance

30-Jun	2011	2012	2013	2014	2015	2016	2017
Unassigned Fund Balance	\$ 2,172,882	\$ 2,575,437	\$ 3,355,159	\$ 4,602,793	\$ 5,819,821	\$ 6,581,424	\$ 7,352,238
Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund Budgeted Expenditures	\$ 9,033,979	\$ 8,931,037	\$ 9,117,102	\$ 9,362,452	\$ 9,898,837	\$ 10,521,214	\$ 11,093,327
Actual Stabilization Threshold (%)	24%	29%	37%	49%	59%	63%	66%
Required Stabilization Threshold at 35%	\$ 3,161,893	\$ 3,125,863	\$ 3,190,986	\$ 3,276,858	\$ 3,464,593	\$ 3,682,425	\$ 3,882,664
Stabilization Threshold Surplus (Deficit) (\$)	\$ (989,011)	\$ (550,426)	\$ 164,173	\$ 1,325,935	\$ 2,355,228	\$ 2,898,999	\$ 3,469,574



Unassigned Fund Balance Growth



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Fund Balance

FY 2016 Report Issued by LGC on all municipalities (April, 2017):

All Municipalities without Electrical Utilities (10K-50K population)
53.95% as a percentage of average expenditures

Our benchmark communities:

Archdale	124.73%	Mebane	54.99%
Belmont	35.29%	Mount Holly	56.49%
Harrisburg	38.61%	Pinehurst	47.68%
Knightdale	47.92%	Stallings	142.67%
Leland	61.08%	Waxhaw	38.15%
Davidson		73.61%	



Economic Outlook

- Current Climate
- Unemployment Rate
- Recession

Interest Rates

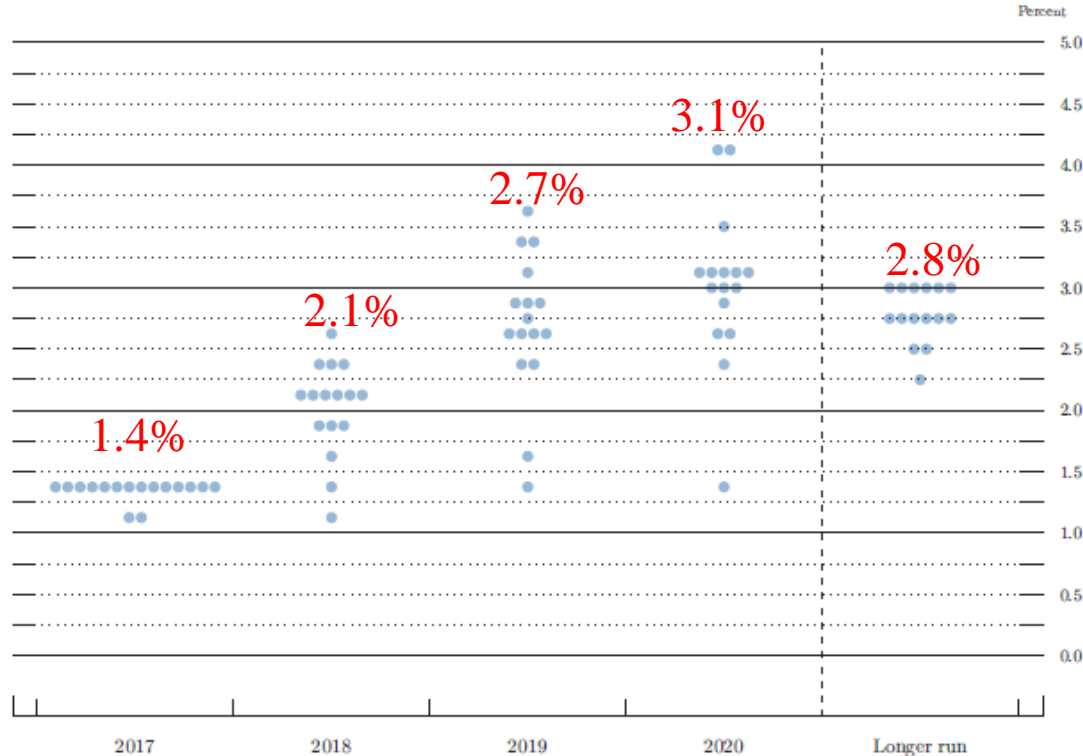
- Fed Funds Rate
 - Short-term Interest Earnings Indicator
 - Indirect indicator of lending rates
- Corporate Income Tax Rate

Federal Funds Rate

Set by Board of Governors of the Federal Reserve Bank

FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

**“Dots”
Chart**



Source: Minutes of the Federal Open Market Committee December 12-13, 2017

2019 Revaluation

- Every 8 Years
- Mecklenburg County Tax Assessor, Ken Joyner
 - August, 2017-Approximately 25% increase in Aggregate
 - Second Presentation in Spring 2018 with updated projection

Public Facilities

- Cost Estimate \$13,225,000 (including soft costs)
- Estimated 10% ad valorem tax increase in FY2020 (Revaluation year)
- Project maximum annual debt service in FY 2022 \$1.3 million
 - 20 year level principal LOB @4% 2-years interest only
 - Lower annual debt service if level payment
- \$925,000 to reimburse fund balance when project funded
- Set aside \$200K in FY2017; \$300K in FY 2018 for future debt service

G.O. Bonds

- \$6 million Mobility
- \$5 million Greenways
- \$4 million Parks
- Projected issuance of \$5 million in 2019, 2021 and 2023
- August, 2017 - Projected ad valorem tax increase of 3.62 cents

G.O. Bonds & Public Facilities

- August 2017 – Projected aggregate increase of 25% to ad valorem tax revenue
- Will affect citizens differently based on 2019 Revaluation
- Interest rates, use of fund balance, timing of debt issuance will all affect required tax increases

Long Term Financial Plan

- Goals for the model:
 - Provide Board longer term view of Town Budget
 - Provide Board guidance on feasibility and timing of capital projects
 - Perform “What if” analysis on proposed projects
 - Monitor compliance with Board/LGC Policies
 - Provide Board comparison to similar/benchmark communities
 - Flexibility in design
 - Expand Information Package Available to credit rating agencies and potential lenders

Long Term Financial Plan

- Developed model with First Tryon in January 2017.
- Incorporates budget, capital projects, debt service, fund balance.
- Provided last update to Board in August, 2017
- Ready to update with Board input regarding:
 - Public Facilities
 - G.O. Bond Projects – February 27th
 - Budget (FY2019) and CIP (FY 2019-2023)

Questions



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