



# Douglas County

COVID-19 Impact Financial Risk Analysis

April 2020



# Covid-19 Municipal Market Sentiment

**THE WALL STREET JOURNAL.**



## Federal Reserve Considering Additional Support for State, Local Government Finance

Central bank hires former Treasury official to assist with potential municipal-lending program

## Coronavirus Hits State and City Budgets

Local officials say they don't know how deep the hole might get; a double punch of higher spending and falling revenue

## How the Muni Market Became the Epicenter of the Liquidity Crisis

A concentration of power and risk has resulted from a fundamental shift in how municipal bonds are bought and sold

Center for American Progress



## A Coronavirus Recovery Demands Substantial, Durable Aid for State and Local Governments



*“With many Georgians not currently working and most rarely leaving their homes for now, GDP will necessarily fall sharply in the second quarter. However, massive government assistance programs for individuals and businesses will, hopefully, limit the immediate damage and enable the economy to at least enjoy a U-shaped recovery later this year.”*

**AJC**

Atlanta. News. Now.



Georgia governments could see \$1 billion hit in sales tax revenue from coronavirus



# Executive Summary - Why are We Here

- As the COVID-19 pandemic continues to unfold, it is imperative that the County begin evaluating various policy initiatives and potential financial mechanisms to safeguard and mitigate against potential budget-straining risks that may arise as an effect of the pandemic.
- Public health measures initiated to prevent the spread of COVID-19 could, and will have, a significant impact on traditional County funding sources and revenues. As a direct result of many uncertainties related to the crisis, particularly regarding its duration, the crisis could have consequences that linger beyond the current 2020 budget and into successive budget cycles.
- Our objective is to incorporate a financial modeling process into the County's current financial platform that will be designed to quantify the potential impact and risks posed by the uncertainties related to the pandemic. Most importantly, the model needs to create a framework for evaluating and gauging scenarios and not just individual sensitivities to determine the financial flexibility and resilience of the County to meet both short-term and long-term operating requirements.
- The Financial Risk Analysis, or stress test, will provide the County with a quantitative based framework that can be used in parallel with Commissioned based policy mandates and decisions and identify potential vulnerabilities. Most importantly, it will assist the County in developing a comprehensive, proactive and coordinated financial strategy to make appropriate and timely decisions that effect the budget and service delivery needs.
- Simultaneously, our team will continue to identify all potential recovery and resolution strategies the County might be eligible to receive through federal and state programs that may aid in offsetting the adverse financial effects from the pandemic.

# Financial Modeling Approach and Action Items

01

## Utilize & Create

**Utilize** existing County data and gather new data sets to analyze current and historical financial position. **Create** custom financial risk model that are both flexible and accurate.

02

## Conduct

Use custom model to **conduct** analysis on revenues and expenditures. Create scenarios to **access** budgetary solvency and identify vulnerabilities.

03

## Analyze / Access

**Analyze** scenarios to identify revenue shortfalls and potential expenditure increases. **Access** magnitude of budgetary stress. **Identify** opportunities for revenue recovery and expense reduction.

04

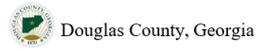
## Recommend & Monitor

**Recommend proactive** financial options and budgetary action items to help mitigate or eliminate COVID-19 impact, if necessary. **Monitor** on a frequent basis to support real-time decisions.



# Integration with Existing County Financial Platform

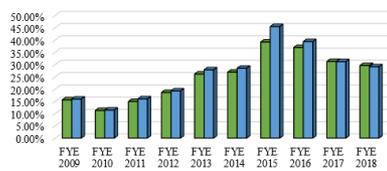
- All aspects of the County's financial platform will be evaluated in conjunction with prior modeling templates currently utilized by the County. Our main objective will be to incorporate a micro-based sensitivity methodology into the County's overall financial outlook.



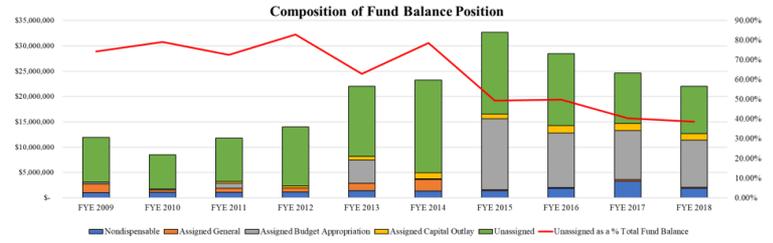
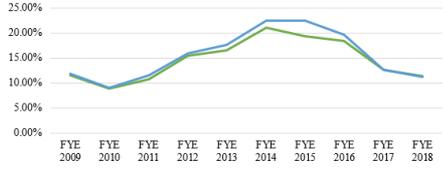
Fiscal Year Ending December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	\$ 23,824,143	\$ 18,864,950	\$ 20,877,407	\$ 23,086,042	\$ 22,357,734	\$ 35,844,806	\$ 45,382,975	\$ 45,848,643	\$ 38,274,715	\$ 39,042,630
Total Liabilities & Deferred Inflow of Resources	\$ 11,900,425	\$ 10,383,486	\$ 9,961,296	\$ 9,102,090	\$ 10,205,123	\$ 12,607,384	\$ 12,574,890	\$ 16,892,364	\$ 13,727,332	\$ 14,804,338
<b>Total Fund Balance</b>	<b>\$ 11,923,718</b>	<b>\$ 8,481,464</b>	<b>\$ 11,816,111</b>	<b>\$ 13,983,952</b>	<b>\$ 22,052,611</b>	<b>\$ 23,237,422</b>	<b>\$ 32,708,085</b>	<b>\$ 28,956,279</b>	<b>\$ 24,547,383</b>	<b>\$ 24,238,292</b>
Cash & Cash Equivalents	\$ 11,434,737	\$ 6,487,902	\$ 8,607,809	\$ 9,551,405	\$ 17,905,830	\$ 21,894,203	\$ 30,821,376	\$ 31,787,504	\$ 26,655,765	\$ 30,761,837
Unassigned Fund Balance	\$ 8,855,042	\$ 6,714,541	\$ 8,570,103	\$ 11,601,939	\$ 13,896,005	\$ 18,256,682	\$ 16,129,025	\$ 14,184,103	\$ 9,975,041	\$ 9,364,431
Annual Growth in Assets	-16.26%	-20.82%	10.67%	10.58%	39.73%	11.12%	26.33%	0.15%	-15.38%	1.74%
Annual Growth in Liabilities	-31.28%	-12.75%	-12.73%	0.45%	12.12%	23.54%	-0.26%	34.33%	-18.74%	7.83%
Annual Growth in Fund Balance	7.11%	-28.87%	39.32%	18.35%	57.70%	5.37%	40.78%	-13.00%	-15.39%	-1.66%
Total Fund Balance % of Total Assets	50.05%	44.96%	56.60%	60.57%	68.36%	64.83%	72.23%	62.72%	64.23%	62.08%
Unassigned Fund Balance % of Total Assets	37.17%	35.59%	41.05%	50.26%	43.08%	50.95%	35.62%	31.28%	25.99%	23.98%
Unassigned Fund Balance % of Total Fund Balance	74.26%	79.17%	72.35%	82.97%	63.03%	78.57%	49.31%	49.85%	40.47%	38.69%
Total Fund Balance/Total Revenues	15.59%	11.29%	15.25%	18.62%	26.12%	26.39%	39.17%	36.96%	31.25%	29.61%
Total Fund Balance/Total Expenditures	15.92%	11.44%	16.41%	19.23%	27.84%	28.49%	45.47%	39.35%	31.19%	29.10%
Unassigned Fund Balance/Total Revenues	11.33%	8.94%	11.04%	15.45%	16.46%	21.13%	19.32%	18.42%	12.65%	11.44%
Unassigned Fund Balance/Total Expenditures	11.82%	9.06%	11.90%	15.54%	17.54%	22.38%	22.62%	19.61%	12.62%	11.24%
Days Cash on Hand	55.9	31.34	43.03	47.96	88.39	97.98	154.41	160.46	133.14	134.80
Unassigned Fund Balance/Expenditures (Months)	1.42	1.43	1.50	1.50	2.10	2.69	2.69	2.46	1.51	1.45



Analysis of Total Fund Balance



Analysis of Unassigned Fund Balance



	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Total Fund Balance	\$ 11,923,718	\$ 8,481,464	\$ 11,816,111	\$ 13,983,952	\$ 22,052,611	\$ 23,237,422	\$ 32,708,085	\$ 28,956,279	\$ 24,547,383	\$ 24,238,292
Unassigned Fund Balance	\$ 8,855,042	\$ 6,714,541	\$ 8,570,103	\$ 11,601,939	\$ 13,896,005	\$ 18,256,682	\$ 16,129,025	\$ 14,184,103	\$ 9,975,041	\$ 9,364,431
Total General Fund Revenues	\$ 76,463,633	\$ 73,136,801	\$ 77,477,246	\$ 75,113,574	\$ 84,487,993	\$ 86,465,531	\$ 83,402,441	\$ 76,983,196	\$ 78,859,693	\$ 81,857,989
Total General Fund Expenditures	\$ 74,892,399	\$ 74,138,075	\$ 72,008,424	\$ 72,704,308	\$ 79,219,212	\$ 81,563,375	\$ 71,927,063	\$ 72,312,978	\$ 79,011,395	\$ 83,284,008
Total Fund Balance as % of Total General Fund Revenues	15.59%	11.29%	15.25%	18.62%	26.12%	26.89%	39.17%	36.96%	31.25%	29.61%
Total Fund Balance as % of Total General Fund Expenditures	15.92%	11.44%	16.41%	19.23%	27.84%	28.49%	45.47%	39.35%	31.19%	29.10%
Unassigned Fund Balance as % of Total General Fund Revenues	11.58%	8.94%	11.00%	15.45%	16.46%	21.13%	19.32%	18.42%	12.65%	11.44%
Unassigned Fund Balance as % of Total General Fund Expenditures	11.82%	9.06%	11.90%	15.96%	17.54%	22.38%	22.42%	19.61%	12.62%	11.24%

\* Does not include recurring transfers out



# Integration with Existing County Financial Platform



Douglas County, Georgia



Fiscal Year Ending December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AVG 09-18
<b>Total Revenues</b>	\$ 76,463,633	\$ 76,136,801	\$ 77,477,246	\$ 76,113,974	\$ 84,457,093	\$ 86,405,531	\$ 83,492,441	\$ 76,985,196	\$ 79,869,633	\$ 81,857,893	\$ 79,422,824
<b>Total Expenditures</b>	\$ 74,892,399	\$ 74,138,075	\$ 71,808,424	\$ 70,761,308	\$ 79,219,357	\$ 81,563,376	\$ 71,917,063	\$ 72,111,978	\$ 79,011,395	\$ 83,384,609	\$ 76,197,228
<b>Excess of Revenues Over Expenditures</b>	\$ 1,571,234	\$ 2,000,726	\$ 5,668,822	\$ 5,352,666	\$ 5,237,736	\$ 14,842,155	\$ 11,575,378	\$ 14,873,218	\$ 8,858,238	\$ 18,473,284	\$ 3,225,596
<b>Bottom Line after Net Transfers and Other Sources</b>	\$ 791,567	\$ (3,442,254)	\$ 3,234,647	\$ 2,416,026	\$ 3,068,659	\$ 1,184,811	\$ 9,470,663	\$ (4,251,806)	\$ (3,808,806)	\$ (408,111)	\$ 1,359,531
<b>Annual Growth in Revenues (%)</b>		-1.74%	3.11%	-3.05%	12.41%	2.33%	-3.37%	-7.79%	2.43%	3.80%	6.99%
<b>Annual Growth in Expenditures (%)</b>		-1.01%	-2.87%	0.97%	8.90%	2.99%	-11.81%	0.54%	9.26%	5.42%	3.89%
<b>Excess/Margin (%)</b>		2.05%	7.04%	3.21%	6.18%	5.60%	13.85%	6.07%	-0.19%	-1.70%	4.34%
<b>Assessment of the Operating Operation:</b> Annual Revenues/Annual Expenditures	1.02	1.01	1.08	1.03	1.07	1.06	1.16	1.06	1.00	0.98	
<b>Net Impact of Other Financing Sources (Uses)</b>	(75,667)	(4,440,980)	(2,134,175)	6,760	2,850,818	(3,657,345)	(2,094,715)	(8,924,024)	(3,657,134)	1,028,805	

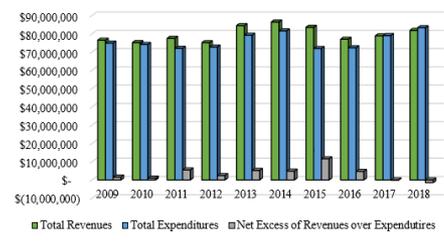


Douglas County, Georgia

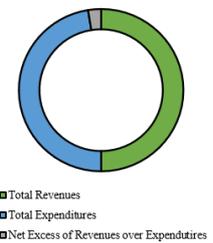


Summary of Fiscal Year Expenditures											
Fiscal Year Ending December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AVG 09-18
<b>Total Expenditures</b>	\$ 74,892,399	\$ 74,138,075	\$ 72,256,609	\$ 72,704,308	\$ 79,219,352	\$ 81,563,375	\$ 71,927,063	\$ 72,312,978	\$ 79,011,395	\$ 83,294,009	\$ 76,131,946
<b>Annual Growth Rate</b>	-3.04%	-1.01%	-2.54%	0.62%	8.96%	2.96%	-11.81%	0.54%	9.26%	5.42%	0.94%
<b>General Fund Expenditures as a % of Total General Fund Revenues</b>	97.95%	98.67%	93.26%	96.79%	93.82%	94.40%	86.15%	93.93%	100.19%	101.76%	95.69%

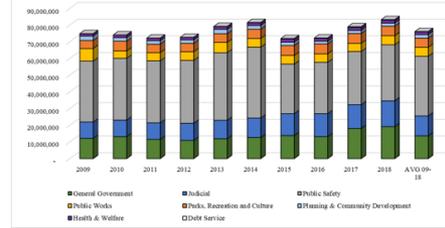
Summary of Revenue and Expense Activity



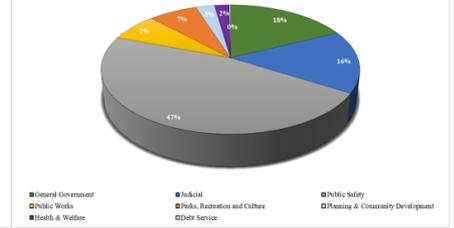
Average % Net Margin (2009 - 2018)



Trend Analysis of Fiscal Year General Fund Expenditures



Trend Analysis: Average Distribution of Expenditures



# Integration with Existing County Financial Platform



DOUGLAS COUNTY, GEORGIA - LONG TERM FINANCIAL PLAN - DRAFT								
	2020	2021	2022	2023	2024	2025	2026	
Projected Required Property Tax Revenues	\$ 47,228,335	\$ 57,969,435	\$ 59,205,582	\$ 60,100,745	\$ 61,546,080	\$ 64,606,192	\$ 67,477,537	
Projected % of Total General Fund Revenues	48%	54%	54%	54%	54%	54%	54%	54%
Prior Year % of Total General Fund Revenues	51%	57%	56%	55%	56%	57%	57%	57%
<b>Property Tax Growth Assumptions</b>								
Prior Year Property Tax Billing	\$ 46,751,957	\$ 49,206,435	\$ 52,650,885	\$ 54,493,666	\$ 56,400,945	\$ 58,374,978	\$ 60,418,102	
Prior Year Millage Rate	10.213	10.213	10.213	10.213	10.213	10.213	10.213	10.213
Prior Year Value of One Mill	\$ 4,577,691	\$ 4,818,020	\$ 5,155,281	\$ 5,335,716	\$ 5,522,466	\$ 5,715,752	\$ 5,915,804	
Projected Growth Rate - REASSESSMENTS - Place -0- if rolling back	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Projected Growth Rate - NEW	3.00%	5.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Current Year Millage Rate	10.213	10.213	10.213	10.213	10.213	10.213	10.213	10.213
Projected Property Tax Billing	\$ 49,206,435	\$ 52,650,885	\$ 54,493,666	\$ 56,400,945	\$ 58,374,978	\$ 60,418,102	\$ 62,532,735	
Projected Collection Rate	96%	96%	96%	96%	96%	96%	96%	96%
<b>Total Projected Property Taxes</b>	<b>\$ 47,228,335</b>	<b>\$ 50,544,850</b>	<b>\$ 52,313,920</b>	<b>\$ 54,144,907</b>	<b>\$ 56,039,979</b>	<b>\$ 58,001,378</b>	<b>\$ 60,031,426</b>	
<b>Projected Property Tax Revenues Over (Under) Projected Required Tax Revenues</b>	<b>\$ 0</b>	<b>\$ (7,424,585)</b>	<b>\$ (6,891,663)</b>	<b>\$ (5,955,838)</b>	<b>\$ (5,506,101)</b>	<b>\$ (6,604,814)</b>	<b>\$ (7,446,111)</b>	
<b>Projected Analysis of Funding Options</b>								
Projected Growth Rate - REASSESS/INFLATIONARY	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Projected Growth Rate - NEW	3.00%	5.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>Projected Value of Mill</b>	<b>4,818,020</b>	<b>5,155,281</b>	<b>5,335,716</b>	<b>5,522,466</b>	<b>5,715,752</b>	<b>5,915,804</b>	<b>6,122,857</b>	
Additional Millage Required to Fund Operating Shortfall	-	1.44	1.29	1.08	0.96	1.12	1.22	
Use of Unassigned Fund Balance	\$ -	\$ 7,424,585	\$ 6,891,663	\$ 5,955,838	\$ 5,506,101	\$ 6,604,814	\$ 7,446,111	
Total Unassigned Fund Balance Position	\$ 9,006,624	\$ 9,006,624	\$ 1,582,039	\$ (5,309,624)	\$ (11,265,461)	\$ (16,771,563)	\$ (23,376,377)	
Total Fund Balance Used to Balance Current Yr Budget (Assigned)	\$ 4,701,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Required Fund Balance Policy (10% of Expend. - Excl Transfers Out)	\$ 9,663,956	\$ 10,072,201	\$ 10,293,595	\$ 10,452,249	\$ 10,711,978	\$ 11,268,483	\$ 11,790,227	
<b>Discretionary Available Fund Balance</b>	<b>\$ 4,044,224</b>	<b>\$ -</b>						
Does the County Meet Fund Balance Policy?	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	
<b>Impact of Excess (Shortfall) of Revenues</b>								
Projected Revenue Excess (Shortfall)	\$ (4,701,556)	\$ (7,424,585)	\$ (6,891,663)	\$ (5,955,838)	\$ (5,506,101)	\$ (6,604,814)	\$ (7,446,111)	
Is Fund Balance Needed?	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	
Total Fund Balance Available	\$ 13,708,180	\$ 9,006,624	\$ 1,582,039	\$ (5,309,624)	\$ (11,265,461)	\$ (16,771,563)	\$ (23,376,377)	
Remaining Fund Balance After Draw	\$ 9,006,624	\$ 1,582,039	\$ (5,309,624)	\$ (11,265,461)	\$ (16,771,563)	\$ (23,376,377)	\$ (30,822,488)	
Does the County Meet Fund Balance Policy?	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	
Additional Millage Needed to Support Fund Balance Draw	0.00	0.00	1.00	2.04	2.93	3.95	5.03	
Additional Millage Needed for Fund Balance Policy	<u>0.00</u>	<u>1.95</u>	<u>1.93</u>	<u>1.89</u>	<u>1.87</u>	<u>1.90</u>	<u>1.93</u>	
<b>Total Millage Needed:</b>	<b>-</b>	<b>1.95</b>	<b>2.92</b>	<b>3.93</b>	<b>4.81</b>	<b>5.86</b>	<b>6.96</b>	



# Ongoing COVID-19 Recovery & Resolution Efforts

- In response to the anticipated adverse effects from COVID-19, the federal government has passed several initiatives to help lessen the financial stress to states and local governments. Those initiatives include the following:
  - The **H.R. 748 CARES Act** was passed and signed into law to create the Coronavirus Relief Fund and of the relief funds an estimated \$4.1 Billion will be allocated of to the State of Georgia.
  - The **Department of Justice** has made available \$850 million to help public safety agencies respond to challenges posed by the outbreak of COVID-19. Douglas County’s estimated eligible allocation is \$52,901.
  - The Federal Reserve announced that it will support the municipal bond market under the **Municipal Liquidity Facility (“MLF”)**. Under the MLF, the Federal Reserve will commit to lend to a special purpose vehicle (“SPV”) on a recourse basis. The SPV will purchase eligible notes directly from eligible issuers at the time of issuance up to \$500 billion of short-term eligible notes.
- We will assist the County in taking advantage of federal and state programs by securing access to eligible funds. Our team will continue to monitor the distribution of funds for each initiative mentioned above and any new measures that may arise. Because of Federal Reserve requirements, Douglas County will need to work directly with the State to participate in any MFL transaction.

# Credit & Risk Disclosure

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