

General Fund FY 17 Revised Financial Projections Report



As of April 10, 2017

Introduction

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of April 10, 2017, for the County's FY 17 revenues and expenditures through June 30, 2017. Note that, in generating this forecast, staff uses its best judgment, based on the most recently available empirical evidence, but the projections contained in this report could change as new information becomes available or as unforeseeable events occur.

The revenue projections contained in this report are built upon work performed earlier by the County's Revenue Team. This group consists of the following members:

Lori S. Allshouse, Director, Office of Management and Budget
Betty J. Burrell, Director, Department of Finance
Mark Graham, Director, Department of Community Development
Peter Lynch, County Assessor, Department of Finance
L. Rocio Lamb, Chief of Revenue Administration, Department of Finance
Steven A. Allshouse, Manager of Economic Analysis and Forecasting, Department of Finance
Tammy Critzer, Management Analyst II, Department of Finance
Tim Conrad, Business Auditor, Department of Finance

The Revenue Team, additionally, consulted with the following County staff in order to generate the preliminary numbers that evolved into the projections shown in this report:

Jackson Zimmermann, Executive Director of Fiscal Services, Schools Division
Kevin Wasilewski, CPA, Chief of Business Services, Department of Social Services

The expenditure projections contained in this report were developed by the County's Office of Management and Budget.

Background

The County's revenue and expenditure situation in FY 17 continues to reflect a stronger-than-expected pace of economic growth. For additional information regarding the County's economy, please see the Albemarle County *Quarterly Economic Indicators Report* for the period ended March 31, 2017.

Discussion

A. General Fund Revenue Projections

Within the context of a better-than-expected economy, the County's revenues, excluding Transfers and Fund Balance Appropriations, at the end of FY 17 are estimated to total \$262.480 million, or roughly \$9.296 million (3.67%) above Budget, assuming that the real property tax rate does not change during FY 17. Combined with the use of \$3.246 million in transfers from other funds, and a forecasted amount of zero for the use of fund balance, the sum of Revenues,

Transfers, and Use of Fund Balance is expected to be \$265.726 million, or \$6.654 million (2.57%) above budget.

The following points provide a brief revenue analysis for FY 17 through June 30, 2017:

- Property Tax Revenue is expected to come in above budget by \$5.7 million (3.42%). Note that property tax revenue includes, among other revenues, Real Property Tax, Personal Property Tax, and Delinquent Tax Collections.
 - Real Property Tax Revenue is forecasted to end the year at \$138.510 million, \$2.813 million (or 2.07%) above budget. Note: This estimated result assumes no change in the current real property tax rate of \$0.839 per \$100 of assessed value and takes into account January 1, 2017 reassessment results.
 - Local Personal Property Tax revenue is expected to equal \$25.937 million, or roughly \$1.390 million (5.7%) above budget.
 - Delinquency Collections are expected to come to roughly \$1.646 million, or essentially equal to budget.
- Other Local Tax Revenue overall is forecasted to be \$53.916 million, or above budget by \$2.049 million (3.95%). Major categories of interest within this broad revenue stream include Sales Tax, Business License Tax, Consumer Utility Tax, and Food & Beverage Tax.
 - Sales Tax revenue is forecasted to be \$16.123 million, \$0.837 million (or 5.48%) above Budget.
 - Business License Tax is estimated to come to \$12.046 million, \$0.673 million (or 5.92%) above Budget.
 - Consumer Utility Tax is forecasted to equal \$8.464 million, roughly \$0.449 million (5.0%) below Budget. This weakness reflects a shift from landline telephones to other means of telecommunications, such as Skype and FaceTime, that are not subject to taxation.
 - Food & Beverage Tax revenue is estimated to end the year at \$7.617 million, \$0.248 million (or 3.37%) above budget.
- Other Local Revenues (a broad category that includes Permits, Fines & Forfeitures, Use of Money and Property, Charges for Services, Miscellaneous Revenues, and Recovered Costs) is expected to come to \$6.318 million, or roughly \$0.472 million (8.07%) above budget, due primarily to higher-than-expected development-related fee revenue.
- State Revenues are forecasted to equal \$23.490 million, or roughly \$0.217 million (0.93%) above budget.

- Federal Revenues are expected to come to \$6.164 million. This amount is roughly \$0.859 million (or 16.18%) above budget, reflecting, in part, higher-than-budgeted expenditures that are offset by the additional federal revenue.
- Transfers from other funds are forecast to be \$3.246 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category is \$2.642 million but, because revenues are projected to exceed expenditures in FY 17, staff does not expect the use of any fund balance in this fiscal year. This situation means that projected use of fund balance is \$2.642 million *below* budget.

B. General Fund Expenditure Projections

General Fund expenditures, including transfers, are forecast to total \$263.903 million at the end of the fiscal year. This amount is \$4.831 million (or 1.86%) above budget. For detail about this excess amount, please see the explanation regarding transfers to Capital, Debt, and Other Funds, below.

Departmental expenditures are expected to be \$98.245 million, roughly \$1.607 million (or 1.61%) less than budget.

Non-Departmental expenditures consist of the County's revenue sharing payment to the City of Charlottesville, reserves, and refunds. Collectively, these items are forecast to total \$17.708 million, or \$0.512 million (2.81%) below budget.

Transfers are expected to equal \$147.950 million at the end of the fiscal year. This amount includes Transfers to the School Division (\$116.893 million, exactly equal to appropriated budget as of March 31st) and Transfer to Capital, Debt, and Other Funds (\$31.057 million, \$6.950 million above appropriated budget as of March 31st; this projected \$6.950 million difference reflects year-end surplus that was appropriated in *April*, subsequent to the quarter ended March 31, 2017).

C. Budget Impact

The Q3 FY 17 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$265.726 million, or \$6.654 million above appropriated revenues and transfers. Expenditures, including transfers, are forecast to be \$263.903 million, \$4.831 million more than the March 31st appropriated expenditures and transfers. (This projected amount in excess of the March 31st appropriated figure includes an appropriation that was done in *April*). The net result is that, at June 30, 2017, projected revenues and transfers are forecasted to be \$1.823 million above expected expenditures and transfers.