

General Fund FY 19 Revised Financial Projections Report



As of January 28, 2019

Introduction

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of January 28, 2019, for the County's FY 19 revenues and expenditures through June 30, 2019. 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
Bill Letteri, Chief Financial Officer, 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
Jian Lin, Revenue Manager – Assessments, Department of Finance
Heather Taylor, Budget/Management Analyst, Office of Management & Budget
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:

Kevin Wasilewski, CPA, Chief of Business Services, Department of Social Services
Tammy Critzer, Financial Analyst, 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 19 continues to reflect a reasonably strong pace of economic growth. For additional information regarding the County's economy, please see the Albemarle County *Quarterly Economic Indicators Report* for the quarter ended December 31, 2018.

Discussion

A. General Fund Revenue Projections

Within the context of a decent economic environment, the County's revenues, excluding Transfers and Fund Balance Appropriations, at the end of FY 19 are estimated to total \$289.745 million, or roughly \$3.859 million (1.35%) above Budget, assuming that the real property tax

rate does not change during FY 19. Combined with the use of \$4.096 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 \$293.841 million, or \$0.269 million (0.09%) above budget.

The following points provide a brief revenue analysis for FY 19 through June 30, 2019:

- Property Tax Revenue is expected to come in above budget by \$3.321 million (1.77%). 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 \$154.864 million, \$2.804 million (or 1.84%) 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, 2019 reassessment results.
 - Local Personal Property Tax revenue is expected to equal \$28.123 million, or roughly \$0.939 million (3.45%) above budget.
 - Delinquency Collections are expected to come to roughly \$1.702 million, or \$0.240 million (12.4%) below budget. The projected level of FY 19 actual collections is consistent with pre-FY 18 actual levels. FY 18 actual collections were skewed upward by a single payment to the County; this situation biased upward the FY 19 budgeted amount.
- Other Local Tax Revenue overall is forecasted to be \$57.559 million, or below budget by \$0.873 million (1.49%). 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 \$17.535 million, \$0.123 million (or 0.7%) below Budget. This expected slight deficit is based on slightly worse-than-expected sales activity in recent months.
 - Business License Tax is estimated to come to \$13.167 million, \$0.673 million (or 0.35%) below Budget. This performance is essentially in line with budget.
 - Consumer Utility Tax is forecasted to equal \$8.470 million, roughly \$0.151 million (1.82%) above Budget. This result has come about *despite* a shift from landline telephones to other means of telecommunications, such as Skype and FaceTime, that are not subject to taxation, as well as the increased usage of energy-efficient appliances and equipment, such as LED lighting.
 - Food & Beverage Tax revenue is estimated to end the year at \$9.330 million, \$0.253 million (or 2.79%) 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 \$9.402 million, or roughly \$0.685 million (7.89%) above budget, due primarily to strength in permits, fees, and licenses.
- State Revenues are forecasted to equal \$25.178 million, or roughly \$0.403 million (1.63%) above budget.
- Federal Revenues are expected to come to \$6.559 million. This amount is roughly \$0.323 million (or 5.18%) above budget, reflecting, in part, higher-than-budgeted expenditures that are offset by increased federal revenue.
- Transfers from other funds are forecast to be \$4.096 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category is \$3.590 million but, because revenues are projected to exceed expenditures in FY 19, staff does not expect the use of any fund balance in this fiscal year. This situation means that projected use of fund balance is \$3.590 million *below* budget.

B. General Fund Expenditure Projections

General Fund expenditures, including transfers, are forecast to total \$292.249 million at the end of the fiscal year. This amount is \$1.323 million (or 1.45%) below budget.

Departmental expenditures are expected to be \$113.993 million, roughly \$0.577 million (or 0.51%) above budget. This overage reflects post December 31st appropriations that OMB staff are aware are coming as a result of the five year planning process.

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 \$17.211 million, or \$2.151 million (11.11%) below budget. This difference is due largely to the fact that funding for the Public Safety Pay Scale adjustment has not yet been distributed to departments.

Transfers are expected to equal \$161.046 million at the end of the fiscal year. This amount includes Transfers to the School Division (\$131.313 million, exactly equal to appropriated budget as of December 31st) and Transfer to Capital, Debt, and Other Funds (\$29.733 million, \$0.250 million, or 0.85% above appropriated budget as of December 31st). Note that the overage in transfers reflects post-December 31st appropriations that OMB staff are aware are coming as a result of the five year planning process.

C. Budget Impact

The Q2 FY 19 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$293.841 million, or \$0.269 million above appropriated revenues and transfers. Expenditures, including transfers, are forecasted to be \$292.249 million, \$1.232 million less than appropriated expenditures and transfers. The net result is that, at June 30, 2019, projected revenues and transfers are forecasted to be \$1.592 million (rounded) above expected expenditures and transfers.