

General Fund FY 18 Revised Financial Projections Report



As of January 19, 2018

Introduction

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of January 19, 2018, for the County's FY 18 revenues and expenditures through June 30, 2018. 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
Jian Lin, Revenue Manager – Assessments, Department of Finance
Daniel Warner, Revenue Manager – Collections, 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 18 continues to reflect a 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, 2017.

Discussion

A. General Fund Revenue Projections

Within the context of a strong economic environment, the County's revenues, excluding Transfers and Fund Balance Appropriations, at the end of FY 18 are estimated to total \$274.989 million, or roughly \$5.091 million (1.89%) above Budget, assuming that the real property tax

rate does not change during FY 18. Combined with the use of \$3.597 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 \$278.587 million, or \$0.824 million (0.30%) above budget.

The following points provide a brief revenue analysis for FY 18 through June 30, 2018:

- Property Tax Revenue is expected to come in above budget by \$2.487 million (1.38%). 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 \$146.211 million, \$2.690 million (or 1.87%) 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, 2018 reassessment results.
 - Local Personal Property Tax revenue is expected to equal \$27.813 million, or roughly \$0.380 million (1.39%) above budget.
 - Delinquency Collections are expected to come to roughly \$1.789 million, or \$0.146 million (8.9%) above budget.
- Other Local Tax Revenue overall is forecasted to be \$56.953 million, or above budget by \$2.673 million (4.96%). 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 \$17.255 million, \$1.021 million (or 6.29%) above Budget. This surplus is due primarily to the better-than-expected success of a new major shopping center south of Charlottesville, as well as the increased popularity of a major shopping center along the 29 North corridor.
 - Business License Tax is estimated to come to \$12.932 million, \$0.673 million (or 7.16%) above Budget. This performance is due primarily to much stronger-than-expected business conditions that existed in the County during the course of calendar year 2017.
 - Consumer Utility Tax is forecasted to equal \$8.235 million, roughly \$0.274 million (3.22%) 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, 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 \$8.035 million, \$0.284 million (or 3.67%) 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 \$6.322 million, or roughly \$0.127 million (1.97%) below budget, due primarily to slight weakness in permits, fees, and licenses revenue, charges for services, and recovered costs.
- State Revenues are forecasted to equal \$24.217 million, or roughly \$0.221 million (0.92%) above budget.
- Federal Revenues are expected to come to \$5.739 million. This amount is roughly \$0.163 million (or 2.75%) below budget, reflecting, in part, lower-than-budgeted expenditures that are offset by reduced federal revenue.
- Transfers from other funds are forecast to be \$3.597 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category is \$4.267 million but, because revenues are projected to exceed expenditures in FY 18, staff does not expect the use of any fund balance in this fiscal year. This situation means that projected use of fund balance is \$4.267 million *below* budget.

B. General Fund Expenditure Projections

General Fund expenditures, including transfers, are forecast to total \$276.275 million at the end of the fiscal year. This amount is \$1.488 million (or 0.54%) below budget.

Departmental expenditures are expected to be \$105.527 million, roughly \$0.946 million (or 0.89%) 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 \$18.158 million, or \$0.542 million (2.9%) below budget.

Transfers are expected to equal \$152.590 million at the end of the fiscal year. This amount includes Transfers to the School Division (\$124.029 million, exactly equal to appropriated budget as of December 31st) and Transfer to Capital, Debt, and Other Funds (\$28.561 million, exactly equal to appropriated budget as of December 31st).

C. Budget Impact

The Q2 FY 18 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$278.587 million, or \$0.824 million above appropriated revenues and transfers. Expenditures, including transfers, are forecasted to be \$276.275 million, \$1.488 million less than appropriated expenditures and transfers. The net result is that, at June 30, 2018, projected revenues and transfers are forecasted to be \$2.311 million (rounded) above expected expenditures and transfers.