

General Fund FY 18 Revised Financial Projections Report



As of April 20, 2018

Introduction

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of April 20, 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 information, but the projections contained in this report could change as new data 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
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
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 March 31, 2018.

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 \$276.154 million, or roughly \$5.764 million (2.13%) above Budget. Combined with the use of \$3.645 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 \$279.799 million, or \$1.058 million (0.38%) 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 \$2.452 million (1.37%). 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 \$147.200 million, \$3.680 million (or 2.56%) above budget. Note: This estimated reflects a 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 \$26.540 million, or roughly \$0.892 million (3.25%) *below* budget.
 - Delinquency Collections are expected to come to roughly \$1.864 million, or \$0.220 million (13.41%) above budget.
- Other Local Tax Revenue overall is forecasted to be \$56.512 million, or above budget by \$2.592 million (4.81%). 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 \$17.049 million, \$0.815 million (or 5.02%) 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 \$12.392 million, \$0.325 million (or 2.69%) above Budget. This performance is due primarily to stronger-than-expected business conditions that existed in the County during the course of calendar year 2017.
 - Consumer Utility Tax is forecasted to equal \$8.367 million, roughly \$0.143 million (1.68%) *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 \$8.917 million, \$1.166 million (or 15.05%) 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 \$7.712 million, or roughly \$0.798 million (11.54%) above budget,

due primarily to strength in Permits, Fees, and Licenses revenue, as well as better-than-expected Use of Money and Property revenue.

- State Revenues are forecasted to equal \$24.250 million, or roughly \$0.226 million (0.94%) above budget.
- Federal Revenues are expected to come to \$5.597 million. This amount is roughly \$0.305 million (or 5.16%) below budget, reflecting, in part, lower-than-budgeted expenditures that are offset by reduced federal revenue.
- Transfers from other funds are forecasted to be \$3.645 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category equals \$4.707 million but, in accordance with County policy, the projected use of fund balance is shown as zero on this line. This situation renders a projected use of fund balance on this line that is \$4.707 million *less* than budget. The net projected change in fund balance is reflected on Table I's "Projected FY 18 Revenue in Excess of Expenditures" line. See Section C, below, for the derivation of this amount.

B. General Fund Expenditure Projections

General Fund expenditures, including transfers, are forecast to total \$284.085 million at the end of the fiscal year. This amount is \$5.343 million (or 1.92%) above budget.

Departmental expenditures are expected to be \$103.478 million, roughly \$3.580 million (or 3.34%) 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 \$17.803 million, or \$0.827 million (4.44%) below budget.

Transfers are expected to equal \$162.804 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 March 31st) and Transfer to Capital, Debt, and Other Funds (\$38.775 million, or \$9.750 above appropriated budget as of March 31st).

C. Budget Impact

The Q3 FY 18 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$279.799 million, or \$1.058 million above appropriated revenues and transfers. Expenditures, including transfers, are forecasted to be \$284.085 million, \$5.343 million more than appropriated expenditures and transfers. The net result is that, at June 30, 2018, projected revenues and transfers are forecasted to be \$4.286 million below expected expenditures and transfers.