

General Fund FY 19 Revised Financial Projections Report



As of April 17, 2019

Introduction

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of April 17, 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 data, 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 March 31, 2019.

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 \$291.322

million, or roughly \$5.436 million (1.90%) above Budget, taking into account the real property tax rate that the Board of Supervisors adopted on April 16, 2019. Combined with \$4.172 million in transfers from other funds, and a placeholder amount of zero for the use of fund balance, the sum of Revenues, Transfers, and Use of Fund Balance is expected to be \$295.493 million, or \$1.177 million (0.40%) 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 \$4.742 million (2.53%). 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 \$156.248 million, \$4.189 million (or 2.75%) above budget. Note: This estimated result takes into account the real property tax rate of \$0.854 per \$100 of assessed value that the Board of Supervisors adopted on April 16, 2019.
 - Local Personal Property Tax revenue is expected to equal \$28.547 million, or roughly \$1.363 million (5.01%) above budget.
 - Delinquency Collections are expected to come to roughly \$1.745 million, or \$0.197 million (1.02%) below budget.
- Other Local Tax Revenue overall is forecasted to be \$58.494 million, or above budget by \$0.061 million (0.11%). 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 \$16.953 million, \$0.706 million (or 4.0%) below Budget. This expected deficit is based on worse-than-expected sales activity in recent months.
 - Business License Tax is estimated to come to \$15.132 million, \$1.919 million (or 15.7%) above Budget. This performance results from very strong performance in contractor licenses, a situation that is consistent with the currently robust volume of construction in the County.
 - Consumer Utility Tax is forecasted to equal \$8.214 million, roughly \$0.105 million (0.80%) below Budget. This result likely has come about from an ongoing 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 \$8.713 million, \$0.364 million (or 4.0%) below budget. Note that this worse-than-expected performance is similar to that of sales tax revenue, discussed above. Typically, a correlation exists between changes in these two revenue streams.
- Other Local Taxes (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 \$9.303 million, or roughly \$0.586 million (6.7%) above budget, due primarily to strength in permits, fees, and licenses, and use of money and property.
- State Revenues are forecasted to equal \$24.798 million, or roughly \$0.023 million (0.09%) above budget.
- Federal Revenues are expected to come to \$6.260 million. This amount is roughly \$0.024 million (or 0.39%) above budget.
- Transfers from other funds are forecast to be \$4.172 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category equals \$4.259 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 \$4.259 million *less* than budget. The net projected change in fund balance is reflected on Table I's "Projected FY 19 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 \$297.278 million at the end of the fiscal year. This amount is \$2.962 million (or 1.01%) above budget. The overage reflects appropriations that OMB staff are aware are coming as a result of the budget development process and that will be appropriated at a future Board meeting.

Departmental expenditures are expected to be \$112.737 million, roughly \$2.473 million (or 2.15%) below budget. Major expenditure savings are:

1. Savings from salary laps, including related benefits, is projected to total \$1.331 million;
2. Department of Social Services Direct Assistance payments are projected to total \$0.411 million below budget. Assistance payments are mostly funded by state or federal resources; and
3. Utilities are projected to be \$0.127 million below 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 \$16.899 million, or \$1.102 million (6.12%) below budget. This difference is due largely to not spending the Health Care Stabilization Reserve, which was budgeted at \$0.741 million.

Transfers are expected to equal \$167.642 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 March 31st) and Transfer to Capital, Debt, and Other Funds (\$36.329 million, \$6.536 million, or 21.94% above appropriated budget as of March 31st). The overage in transfers reflects transfers to the Capital Improvement Program, Economic Development Fund, Broadband Authority Fund, and Housing Fund. These transfers will be appropriated at a future Board meeting.

C. Budget Impact

The Q2 FY 19 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$295.493 million, or \$1.177 million above appropriated revenues and transfers. Expenditures, including transfers, are forecasted to be \$297.278 million, \$2.962 million more than appropriated expenditures and transfers. The net result is that, at June 30, 2019, projected revenues and transfers are forecasted to be \$1.785 million (rounded) below expected expenditures and transfers.