

# **General Fund FY 20 Revised Financial Projections Report**



**As of September 30, 2019**

## **Introduction**

The Albemarle County General Fund Revised Financial Projections Report (GFRFPR) reflects staff's forecast, as of September 30, 2019, for the County's FY 20 revenues and expenditures through June 30, 2020. 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  
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  
Chris McCollam, Management Analyst II, 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  
Jackie Harris, Financial Analyst, Department of Finance

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 20 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 September 30, 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 20 are estimated to total \$301.668

million, or roughly \$0.179 million (0.06%) below Budget. Combined with \$3.429 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 \$305.097 million, or \$2.005 million (0.65%) below budget.

The following points provide a brief revenue analysis for FY20 through June 30, 2020:

- Property Tax Revenue is expected to come in above budget by \$1.292 million (0.64%). 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 \$163.519 million, i.e., at the budgeted level.
  - Local Personal Property Tax revenue is expected to equal \$29.524 million, or roughly \$0.342 million (1.2%) above budget.
  - Delinquency Collections are expected to come to roughly \$1.933 million, or \$0.251 million (14.9%) above budget.
- Other Local Tax Revenue overall is forecasted to be \$58.337 million, or below budget by \$1.332 million (2.2%). 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 \$17.337 million, \$0.891 million (or 4.9%) below Budget. This expected deficit is based on a lower-than-expected FY 19 level of sales tax revenue. Note that the budgeted FY 20 amount originally was based on an optimistic forecast driven by strong growth in this revenue stream that existed at the time of the forecast. The weak performance of Sales Tax revenue in FY 19, however, has made staff cautious about potential growth in this line item in FY 20, despite very strong year-over-year performance in Q1 FY 20 (see the Q1 FY 20 Economic Indicators Report). Staff is not yet convinced that the Q1 FY 20 performance necessarily will be sustained in the remaining quarters of the current fiscal year, since data from one particular quarter does not necessarily constitute a trend, but will re-evaluate the forecasted FY 20 amount as additional monthly data becomes available.
  - Business License Tax is estimated to come to \$13.662 million, \$0.147 million (or 1.1%) below Budget. This expected FY 20 performance is based on the somewhat weak performance of BPOL revenues in FY 19.
  - Consumer Utility Tax is forecasted to equal \$8.178 million, roughly \$0.303 million (3.6%) below Budget. This forecasted result is based on somewhat weak

performance of Consumer Utility Tax revenue in FY 19 and the notion that there is an ongoing shift from landline telephones to other means of telecommunications, such as Skype and FaceTime, that are not subject to taxation. Staff thinks, additionally, that the increased usage of energy-efficient appliances and equipment, such as LED lighting, will tend to restrain growth in this revenue stream in FY 20 and beyond.

- Food & Beverage Tax revenue is estimated to end the year at \$9.027 million, \$0.777 million (or 7.9%) below budget. Note that this forecast is based on logic similar to the thinking behind the FY 20 forecasted sales tax revenue, discussed above. Typically, a correlation exists between changes in these two revenue streams. Staff will continue to monitor closely Food & Beverage tax and re-evaluate the FY 20 forecasted amount as additional data becomes available.
- 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 \$9.757 million, or roughly \$0.435 million (4.7%) above budget, due primarily to strength in permits, fees, and licenses.
- State Revenues are forecasted to equal \$24.570 million, or roughly \$0.584 million (2.32%) below budget. This initial forecast is driven primarily by lower-than-expected FY 19 revenues in Dept. of Social Services, but this revenue forecast is subject to revision as new information becomes available.
- Federal Revenues are expected to come to \$6.505 million, essentially in line with budget.
- Transfers from other funds are forecast to be \$3.429 million, equal to budget.
- Forecasted use of fund balance is \$0 million. The *budgeted* amount for this category equals \$1.826 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 \$1.826 million *less* than budget. The net projected change in fund balance is reflected on Table I's "Projected FY 20 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 \$305.987 million at the end of the fiscal year. This amount is \$1.115 million (or 0.36%) below budget.

Departmental expenditures are expected to be \$118.994 million, roughly \$1.113 million (or 0.93%) below budget. This situation reflects primarily salary lapse as well as potential savings from delaying increases in health care expenses.

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 \$15.904 million, essentially in line with budget.

Transfers are expected to equal \$171.088 million (rounded) at the end of the fiscal year. This amount includes Transfers to the School Division (\$138.201 million, exactly equal to appropriated budget) and Transfer to Capital, Debt, and Other Funds (\$32.888 million, exactly equal to appropriated budget).

### **C. Budget Impact**

The Q1 FY 20 General Fund Revised Financial Projections Report indicates that forecasted revenues, including transfers, will be \$305.097 million, or \$2.005 million below appropriated revenues and transfers. Expenditures, including transfers, are forecasted to be \$305.987 million, \$1.115 million less than appropriated expenditures and transfers. The net result is that, at June 30, 2020, projected revenues and transfers are forecasted to be \$0.890 million (rounded) below expected expenditures and transfers.