



Albemarle County

Legislation Text

File #: 18-321, **Version:** 1

AGENDA DATE: 5/9/2018

TITLE:

Q3 FY 18 Quarterly Financial Report; Q3 FY 18 General Fund Revised Financial Projections Report; and Q3 FY 18 Quarterly Economic Indicators Report

SUBJECT/PROPOSAL/REQUEST: Most recent financial indicators; general fund revenue and expenditure projections; and County economic indicators.

ITEM TYPE: Consent Information Item

STAFF CONTACT(S): Richardson, Letteri, Breeden, L., and Allshouse, S.

PRESENTER (S): N/A

LEGAL REVIEW: Not Required

REVIEWED BY: Jeffrey B. Richardson

BACKGROUND: The attached Quarterly Financial Report (QFR) (Attachment A) provides information regarding the County's FY 18 General Fund and School Fund performance as of March 31, 2018. The General Fund Revised Financial Projections Report (Attachments B and C) includes projected General Fund revenues and expenditures for FY 18. The Quarterly Economic Indicator Report (Attachments D and E) provides an overview of recent general economic conditions in the County. Early in the FY 19 Budget Work-session process, the Office of Management and Budget will include a discussion of the variances between actual revenues and expenditures as compared to FY 18 Budget, the Current Year End Fund Balance, and the recommended uses of Fund Balance in the Recommended FY 19 Budget.

STRATEGIC PLAN: Quality Government Operations: Ensure County government's capacity to provide high quality service that achieves community priorities. Economic Prosperity: Foster an environment that stimulates diversified job creation, capital investments, and tax revenues that support community goals.

DISCUSSION:

Quarterly Financial Report

The Quarterly Financial Report (QFR) reflects year-to-date (YTD) data through March 31, 2018, the end of the third quarter (Q3) of FY 18. The data in the attached QFR is organized in a way that is consistent with Exhibit 12 of the County's Comprehensive Annual Financial Report (CAFR). Most line item titles in the QFR match the line item titles in the CAFR.

Highlights from the QFR include:

Revenues - YTD Actual

YTD total revenues in Q3 FY 18 were \$151,158,340 compared to \$143,606,745 in Q3 FY 17. In percentage terms, FY 18 YTD actual revenues as a percentage of FY18 Revised Budget revenues were 54.23%,

compared to 55.43% in FY 17.

Expenditures - YTD Actual

YTD total expenditures in Q3 FY 18 were \$203,364,889 compared to \$192,208,415 in Q3 FY 17. In percentage terms, FY 18 YTD actual expenditures as a percentage of FY 18 Revised Budget expenditures were 72.96%, compared to 74.19% in FY 17.

County Executive Authorized Transfers and Appropriations

A table listing the County Executive authorized transfer and appropriations made during the first and second quarters of FY 18 is included on page 8.

ACPS Quarterly Financial Report

As requested by the Board, the Albemarle County Public Schools Quarterly Financial Report as of March 31, 2018 is included as a table on page 11 of the QFR.

An *Investment Activity Summary* for the Quarter Ended March 31, 2018 is included on page 12.

General Fund Revised Financial Projections Report

The General Fund Revised Financial Projections Report (GFRFPR) (Attachment B) provides a streamlined summary of forecasted revenues and expenditures. The GFRFPR indicates that by June 30, 2018, actual revenues, including transfers, are forecasted to be above appropriated revenues by \$1.058 million. This result reflects better-than-expected growth in many major revenue streams. Expenditures, including transfers, are projected to be \$5.343 million above currently appropriated expenditures. The difference between appropriated expenditures and forecasted expenditures is due to projected transfers to Capital, Debt, and Other funds. The result of the surplus in revenues plus the anticipated volume of expenditures is a projected net decline (rounded) of \$4.286 million in fund balance by the end of FY 18.

In evaluating the results of operations per the Projections Report, it is important to recognize that variances in both Revenues and Expenditures are impacted significantly by our use or non-use of fund balance. For example, projected revenues before transfers are expected to exceed budgeted revenues by \$5.8 million. However, given this strong revenue growth, we do not expect to use fund balance to support revenues as budgeted which has the effect of reducing excess revenues over budgeted revenues per the report. Similarly, total expenditures include our intentional use of fund balance for capital and other funds which creates the impression that expenditures will come in over budget, when in fact the departments are projected to under spend their budgets by \$3.6 million.

Quarterly Economic Indicators Report

The Quarterly Economic Indicators Report (QEIR) (Attachment D) shows the state of the County's economy. The QEIR contains data taken from the most recently available quarter and compares this data with data from the same quarter of previous fiscal years. General economic activity, as measured by five select revenue streams, grew substantially between Q3 FY 17 and Q3 FY 18. The unemployment rate in Albemarle declined between Q2 FY 17 and Q2 FY 18, going from 3.37% to 3.07%. This year-over-year decline was consistent with drops in national and state rates. Nominally, the County appears to have reached "full employment." The County's jobs base, meanwhile, appears to have experienced robust growth between Q1 FY 17 and Q1 FY 18, again the most recent quarter for which information is available. The total number of jobs increased from 53,530 to 55,871 or by 4.37%. This growth of 2,341 positions is consistent with a healthy local labor market. Note, however, that the inflation-adjusted average weekly wage apparently dropped by \$43 between Q1 FY 17 and Q1 FY 18. This decline of 4.05% likely is a statistical fluke, but staff will continue to monitor the situation. The Inflation-adjusted Federal Housing Finance Agency's House Price Index for the region, meanwhile, rose

by 3.33% between Q2 FY 17 and Q2 FY 18. Overall, the data suggests that the County's economy grew at a healthy pace in the most recent year, a situation that is consistent with the U.S. and state economies. The outlook for the County's economy in coming quarters generally looks good, although there exist foreseeable scenarios under which the direction of the County's economy could reverse.

BUDGET IMPACT: Revenues and expenditures data contained in the UQFR reflects the state of the County's FY 18 budget-to-actual financial performance as of March 31, 2018. Year-end projections contained in the GFRFPR are subject to change, based on the result of actual collections and expenditures through June 30, 2018. Data shown in the QEIR reflects economic variables that impact the County's current and future revenues and expenditures.

RECOMMENDATION:

These reports are for information only. Staff welcomes the Board's feedback regarding the content and presentation of these reports.

ATTACHMENTS:

Attachment A - Unaudited Quarterly Financial Report

Attachment B - General Fund Revenue Financial Projections

Attachment C - General Fund Revenue Financial Projections Table

Attachment D - Q3 FY 18 Quarterly Economic Indicators Report

Attachment E - Q3 FY 18 Quarterly Economic Indicators Report Table