



Albemarle County

Legislation Text

File #: 16-175, **Version:** 1

AGENDA DATE: 3/2/2016

TITLE:

Q2 FY 16 Unaudited Quarterly Financial Report; General Fund Revised Financial Projections Report; and Quarterly Economic Indicators Report

SUBJECT/PROPOSAL/REQUEST: FY 16 Q2 Financial Report October through December 2015; Revised Revenue and Expenditure Projections Report through June 30, 2016; and Q2 FY 16 Quarterly Economic Indicators Report

ITEM TYPE: Consent Information Item

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

PRESENTER (S): N/A

LEGAL REVIEW: Yes

REVIEWED BY: Thomas C. Foley

BACKGROUND: The attached Unaudited Quarterly Financial Report (UQFR) (Attachment A) provides information regarding the County's FY 16 General Fund and School Fund performance as of December 31, 2015. The General Fund Revised Financial Projections Report (Attachments B and C) includes projected General Fund revenues and expenditures for FY 16. The Quarterly Economic Indicator Report (Attachments D and E) provides an overview of recent general economic conditions in the County.

STRATEGIC PLAN: Operational Capacity: Ensure County government's ability 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 December 31, 2015, the end of the second quarter of FY 16. 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 Q2 FY 16 were \$111,936,772 compared to \$105,450,598 in Q2 FY 15. In percentage terms, FY 16 YTD actual revenues as a percentage of FY 16 Revised Budget revenues were 44.73%, compared to 43.51% in FY 15. Acknowledging the segregation of the Fire Rescue Services Fund from the General Fund, the rate of revenue collection was essentially consistent between the two years.

Individual revenue streams performed fairly consistently in Q2 FY 16 when compared to Q2 FY 15. Six revenue streams did experience significant year-to-year variance. These revenue streams included Permits,

Fees, and Licenses, Use of Money and Property, Charges for Services, Contributions from Other Entities, Revenues from State Government, and Revenues from Federal Government. For additional information about this revenue variance, please see the analysis on page 2 of the QFR.

Expenditures - YTD Actual

YTD total expenditures in Q2 FY 16 equaled \$115,419,054 compared to \$83,911,109 in Q2 FY 15. In percentage terms, FY 16 YTD actual expenditures as a percentage of FY16 Revised Budget expenditures, were 46.12%, compared to 34.64% in FY 15.

Individual expenditure streams performed fairly consistently in Q2 FY 16 when compared with Q2 FY 15. Nine expenditure streams did experience significant year-to-year variance. These expenditure streams included the Board of Supervisors, Police, Fire/Rescue, Fire Rescue Services, Social Services, Contributions to Agencies and Tax Relief, Transfer to School Fund, Transfer to Schools Debt Service, and Transfer to Schools CIP. For additional information about these expenditure variances, please see the analysis on pages 2 through 4 of the QFR.

ACPS Quarterly Financial Report

As requested by the Board, the Albemarle County Public Schools Quarterly Financial Report as of December 31, 2015 is included as a table in the QFR.

General Fund Revised Financial Projections Report

The General Fund Revised Financial Projections Report (GFRFPR) provides a streamlined summary of forecasted revenues and expenditures. The GFRFPR indicates that by June 30, 2016, actual revenues, including transfers, are forecasted to be below appropriated revenues and transfers by \$1.959 million. This deficit primarily reflects lower-than-expected delinquent property tax revenue, lower-than-expected January 1, 2016 reassessments, and a reduction in assumed new growth in construction. The stagnation of these revenue sources was unanticipated at the time the FY16 budget was finalized a year ago.

Expenditures, including transfers, are projected to be \$1.182 million below appropriated expenditures and transfers. The difference between appropriated expenditures and forecasted expenditures is due primarily to savings associated with salary lapse and insurance costs. The result of the deficit in revenues plus the anticipated expenditures savings is a projected net decrease of \$0.777 million in fund balance by the end of FY 16.

This projected net decrease represents the equivalent of 0.31% of the forecasted \$249.055 million in FY 16 expenditures and transfers and the first projected net decrease in fund balance in recent fiscal years. This also conservatively projects full expenditure of budgeted contingencies, including transfer to Schools. However, as was the case in previous years that revenue shortfalls were projected, if there continues to be a projected shortfall after the third quarter FY16, the revenue sharing formula would result in a reduction to the transfer to schools.

Quarterly Economic Indicators Report

The Quarterly Economic Indicators Report (QEIR) shows the recent 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 six select revenue streams, collectively grew between Q2 FY 15 and Q2 FY 16, although revenue in one stream remained essentially flat while revenue in other streams increased markedly. The unemployment rate in Albemarle declined between Q2 FY 15 and Q2 FY 16, dropping from 3.90% to 3.40%. Note that the County's jobs base apparently experienced robust growth between Q4 FY 14 and Q4 FY 15, the most recent quarter for which information is available. The total number of jobs increased from 51,846 to 53,188. This growth of 1,342 positions was the largest year-over-year rise during the Q4 FY 11 to Q4 FY 15 time frame. The revenue stream, unemployment rate, and jobs data suggest that the County's economy improved in the most recent year, a situation that is

consistent with an improving U.S. economy. However, there exists a number of macroeconomic challenges on the horizon (e.g., a potential global economic slowdown, falling commodity prices, volatility in global equity markets, and a generally lackluster performance of Virginia's economy) that could potentially impact the County's economy in a significant, negative way in the future.

BUDGET IMPACT: Revenues and expenditure data contained in the QFR reflects the state of the County's FY 16 budget-to-actual financial performance as of December 31, 2015. Year-end projections contained in the GFRFPR are subject to change, based on the result of actual collections and expenditures through June 30, 2016. Data shown in the QEI Report 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:

- A - Q2 Quarterly Financial Report (QFR)
- B - General Fund Revised Financial Projections Report (GFRFPR)
- C - GFRFPR Table (1/20/16)
- D - Q2 FY16 Quarterly Economic Indicators Report (QEIR)
- E - Q2 FY16 Quarterly Economic Indicators Table (1/20/16)