



Albemarle County

Legislation Text

File #: 19-305, **Version:** 1

AGENDA DATE: 6/5/2019

TITLE:

Q3 FY 19 Quarterly Financial Report; Q3 FY 19 General Fund Revised Financial Projections Report; and Q3 FY 19 Economic Indicators Report

SUBJECT/PROPOSAL/REQUEST: Most recent financial indicators; and County economic indicators.

ITEM TYPE: Consent Information Item

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

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 19 General Fund and School Fund performance as of March 31, 2019. The General Fund Revised Financial Projections Report (Attachments B and C) includes projected General Fund revenues and expenditures for FY 19. The Quarterly Economic Indicator Report (Attachments D and E) provides an overview of recent general economic conditions in the County.

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, 2019, the end of the second quarter (Q3) of FY 19. 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 19 were \$159,501,459 compared to \$151,158,340 in Q3 FY 18. In percentage terms, FY 19 YTD actual revenues as a percentage of FY19 Revised Budget revenues were 54.19%, compared to 54.23% in FY 18.

Expenditures - YTD Actual

YTD total expenditures in Q3 FY 19 were \$210,594,743 compared to \$203,364,887 in Q3 FY 18. In percentage terms, FY 19 YTD actual expenditures as a percentage of FY 19 Revised Budget expenditures were 71.55%, compared to 72.96% in FY 18.

County Executive Authorized Transfers and Appropriations

A table listing the County Executive authorized transfer and appropriations made through the third quarter of FY 19 is included on page 9.

ACPS Quarterly Financial Report

As requested by the Board, the Albemarle County Public Schools Quarterly Financial Report as of March 31, 2019 is included as a table on page 12 of the QFR.

An *Investment Activity Summary* for the Quarter Ended March 31, 2019 is included on page 13.

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, 2019, actual revenues, including transfers, are forecasted to be above appropriated revenues by \$1.177 million. This result reflects better-than-expected growth in most major revenue streams as well as the real property tax rate of \$0.854 per \$100 of assessed value that the BOS adopted in April 2019. Expenditures, including transfers, are projected to be \$2.962 million above appropriated expenditures. The difference between appropriated expenditures and forecasted expenditures is due primarily to appropriations to Capital, Debt, and Other funds 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. The result of the surplus in revenues plus the anticipated expenditures overage is a projected net decrease (rounded) of \$1.785 million in fund balance by the end of FY 19. Please note that the situation on the expenditure side reflects a conscious effort on the part of the Board to draw down excess fund balance for the purpose of investing in the County's future and is similar to the situation that existed a year ago, at the end of FY 18. The projected \$1.785 million drop in fund balance equals 0.6% of the forecasted \$297.278 million in FY 19 expenditures and transfers.

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. Unfortunately, much of the information in the attached report was dated as of the time of publication. General economic activity, as measured by five select revenue streams, generally was flat between Q2 FY 18 and Q2 FY 19 although revenue in one stream did grow substantially, reflecting strength in the construction sector of the County's economy. The unemployment rate in Albemarle declined between Q2 FY 18 and Q2 FY 19, dropping from 2.97% to 2.37%. This year-over-year decline was consistent with drops in national and state rates. Nominally, the County appears to be experiencing a labor shortage. The County's jobs base, meanwhile, appears to have experienced growth between Q1 FY 18 and Q1 FY 19, the most recent quarter for which information was available. The total number of jobs increased from 55,871 to 56,103. Note that this growth of 0.42% year-over-year was much more subdued than in recent quarters. This result suggests that growth in the local labor market might have cooled somewhat in the first part of FY 19. Despite strength in the County's labor market, the inflation-adjusted average weekly wage remained essentially flat between Q1 FY 18 and Q1 FY 19. The Federal Housing Finance Agency's Home Price Index for the region, meanwhile, grew by 3.1% between Q2 FY 18 and Q2 FY 19, the most recent quarter for which data exists. Collectively, the data suggests that the County's economy grew in the most recent year, but might be slowing down, a situation that would be consistent with the U.S. and state economies.

The outlook for the County's economy in the final quarter of FY 19 generally looks good, but there exist foreseeable scenarios in which growth might taper off after the end of the current fiscal year. Ominously, the 3

month/10 year portions of the yield curve for U.S. Treasuries has flattened substantially in the past year, and the yields on these two maturities briefly (but only slightly) “inverted” for a week in March of 2019. This phenomenon merits attention since, if these yields were to invert *substantially* and for a *prolonged* period of time, the situation would suggest the likely coming of a recession.

BUDGET IMPACT: Revenues and expenditures data contained in the UQFR reflects the state of the County’s FY 19 budget-to-actual financial performance as of March 31, 2019. 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 Revised Financial Projections Report

Attachment C - General Fund Revised Financial Projections Table

Attachment D - Q3 Economic Indicators Report

Attachment E - Q3 Economic Indicators Report Table