



Albemarle County

Legislation Text

File #: 19-598, **Version:** 1

AGENDA DATE: 12/18/2019

TITLE:

Q1 FY20 Quarterly Financial Report; Q1 FY20 General Fund Revised Financial Projections Report; and Q1 FY20 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 FY20 General Fund and School Fund performance as of September 30, 2019. The General Fund Revised Financial Projections Report (Attachments B and C) includes projected General Fund revenues and expenditures for FY20. 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 September 30, 2019, the end of the first quarter (Q1) of FY20. 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 Q1 FY20 were \$19,458,516 compared to \$18,932,595 in Q1 FY19. In percentage terms, FY20 YTD actual revenues as a percentage of FY20 Revised Budget revenues were 6.34%, compared to 6.48% in FY19.

Expenditures - YTD Actual

YTD total expenditures in Q1 FY20 were \$65,491,380 compared to \$67,456,753 in Q1 FY19. In percentage terms, FY20 YTD actual expenditures as a percentage of FY20 Revised Budget expenditures were 21.33%, compared to 23.09% in FY19.

County Executive Authorized Transfers and Appropriations

A table listing the County Executive authorized transfer and appropriations made through the first quarter of FY20 is included on page 8.

ACPS Quarterly Financial Report

As requested by the Board, the Albemarle County Public Schools Quarterly Financial Report as of September 30, 2019 is included as a table on page 11 of the QFR.

An *Investment Activity Summary* for the Quarter Ended September 30, 2019 is included on page 12.

General Fund Revised Financial Projections Report

The General Fund Revised Financial Projections Report (GFRFPR) table (Attachment B) provides a streamlined summary of forecasted revenues and expenditures. The GFRFPR table indicates that by June 30, 2020, actual revenues, including transfers, are forecasted to be below appropriated revenues and transfers by \$2.005 million. This result reflects the expectation that overall revenues will come in slightly below budget (\$0.179 million) as well as the fact that, per County practice, the assumed use of fund balance is zero, or \$1.826 million below the appropriated level. Expenditures, including transfers, are projected to be \$1.115 million below appropriated expenditures and transfers. The difference between the appropriated and forecasted figures is due to expected savings in departmental operating expenditures. The combination of the deficit in revenues, including transfers, and the anticipated level of expenditures, including transfers, is a projected net decrease of \$0.890 million in fund balance by the end of FY 20. Note that the projected \$0.890 million drop in fund balance would equal roughly 0.3% of the forecasted \$305.987 million in FY 20 expenditures and transfers.

Quarterly Economic Indicators Report

The Quarterly Economic Indicators Report (QEIR) table (Attachment C) reveals 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 strong or very strong between Q1 FY 19 and Q1 FY 20. Note, however, that the spike in development-related revenues likely is not sustainable in the long term. The jump in Transient Occupancy Tax (TOT) might reflect enhanced collection efforts related to AirBnb-type businesses but, also, might reflect a potential timing issue in the collection of TOT revenue.

The unemployment rate in Albemarle declined between Q1 FY 19 and Q1 FY 20, dropping from 2.73% to 2.50%. This year-over-year drop was consistent with declines in the 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 Q3 FY 18 and Q3 FY 19, the most recent quarter for which information was available. The total number of jobs increased from 55,263 to 56,427. This growth of 2.11% year-over year indicates a robust labor market. The apparent strength in the County's labor market appears to be reflected in the 2.83% growth in the inflation-adjusted average weekly wage between Q3 FY 18 and Q3 FY 19. The Federal Housing Finance Agency's Home Price Index for the region, surprisingly, *declined* by 0.12% between Q4 FY 18 and Q4 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 and should remain in relatively good condition through the rest of FY 20. A caveat to this last statement is that there exist ongoing macroeconomic headwinds that could operate against Albemarle's economy in coming quarters. These headwinds include the ongoing U.S.-China trade dispute, an economic slowdown in Europe, and weakness in the manufacturing sector in the United States. Fortunately, the "inverted" yield curve for U.S. Treasuries, which became pronounced in August, and which the financial media discussed as being a potential harbinger of a recession, has reverted to a more

normal-looking curve since September. This reversion phenomenon does not necessarily mean that the U.S. will escape a recession in FY 21 but at least represents a positive piece of economic news.

BUDGET IMPACT: Revenues and expenditures data contained in the UQFR reflects the state of the County's FY20 budget-to-actual financial performance as of September 30, 2019. Data shown in the QEIR table 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 - Q1 FY 20 General Fund Revised Financial Projections Report

Attachment C - Q1 FY 20 General Fund Revised Financial Projections Table

Attachment D - Q1 FY 20 Quarterly Economic Indicators Report

Attachment E - Q1 FY 20 Quarterly Economic Indicators Table