

# PRINCE WILLIAM — COUNTY

## Revenue and Expenditures Report



**FY 2022**

3rd Quarter

*Published 6/06/22*

# PRINCE WILLIAM COUNTY

## 3<sup>rd</sup> Quarter FY 2022 Revenues

Section 2.09 of the ***Principles of Sound Financial Management*** requires quarterly updates to the Board of County Supervisors (BOCS) within 45 days of the end of each quarter on the County's General Fund budget and trends with revenue projections through the end of the fiscal year.

The FY 2022 Adopted Budget estimates general revenues to be \$1.14 billion.

As of third quarter, general revenues are expected to produce a surplus of \$47.5 million from the adopted FY 2022 budget by June 30, 2022.

General Revenue Sources	Prior Year FY 2021	Current Year FY 2022					
	Year-End	Adopted	Q1 Revised	Q2 Revised	Q3 Revised	\$ Change Q3/ Adopted	% Change Q3/ Adopted
Real Property Tax	\$727,711,357	\$763,024,000	\$762,310,000	\$762,310,000	\$763,064,000	\$40,000	0.01%
Personal Property Tax	222,104,595	227,051,000	251,670,000	251,670,000	253,742,000	26,691,000	11.76%
Motor Vehicle License Tax	12,549,722	12,000,000	12,000,000	12,000,000	12,500,000	500,000	4.17%
Local Sales Tax	80,111,594	74,150,000	82,500,000	82,500,000	82,500,000	8,350,000	11.26%
Consumer Utility Tax	13,266,498	13,540,000	13,540,000	13,540,000	14,900,000	1,360,000	10.04%
Communications Sales and Use Tax	13,560,708	14,180,000	13,000,000	13,000,000	13,000,000	(1,180,000)	-8.32%
BPOL Tax	29,882,073	22,375,000	28,000,000	28,000,000	32,000,000	9,625,000	43.02%
Investment Income	7,804,185	5,750,000	6,000,000	6,000,000	6,500,000	750,000	13.04%
All Other Revenue	17,521,974	13,831,000	11,735,000	11,735,000	15,269,000	1,438,000	10.40%
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 1,124,512,708</b>	<b>\$ 1,145,901,000</b>	<b>\$ 1,180,755,000</b>	<b>\$ 1,180,755,000</b>	<b>\$ 1,193,475,000</b>	<b>\$ 47,574,000</b>	<b>4.15%</b>

# Revenues At-A-Glance

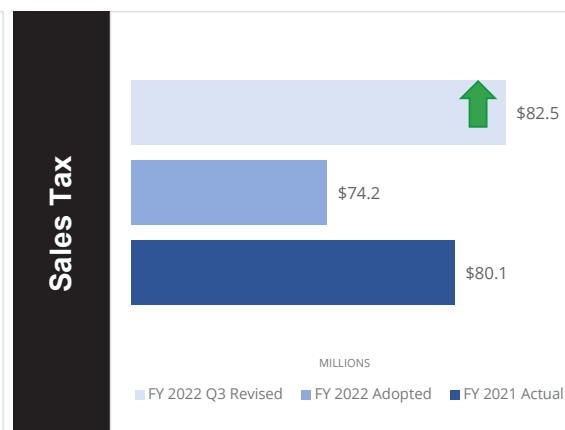
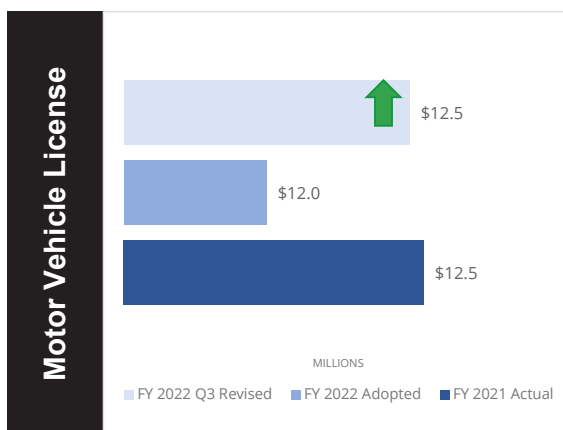
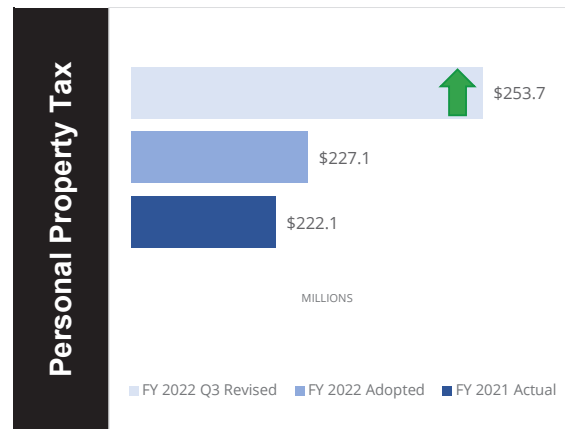
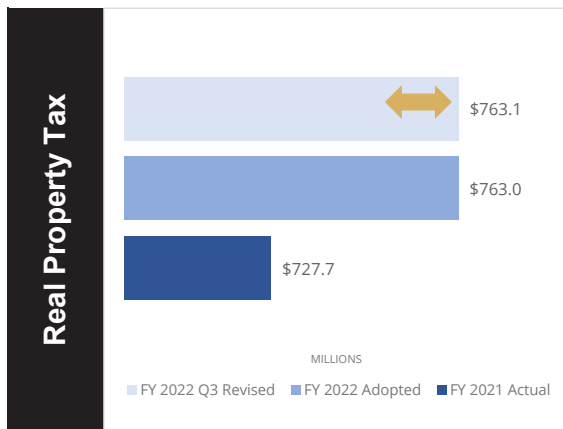
Variances from the FY 2022 Adopted Budget are as follows:

**Real Property Tax** received and recorded during FY 2022 suggest this revenue stream is on course to meet the adopted forecast of \$763.0 million. Real estate tax relief and exonerations, two key components that influence net property tax collected, are being closely monitored to determine if future adjustments are warranted.

**Personal Property Tax** revenue for FY 2022 is currently expected to exceed the adopted forecast of \$227.0 million by approximately \$26.7 million. The anticipated surplus is supported by an increase in new taxable business tangible property, led by continued growth in the data center industry. Furthermore, a surge in assessed values for vehicles during 2021, driven by lean inventory levels, is also expected to contribute to the surplus.

**Motor Vehicle License Tax** revenue for FY 2022 is expected to generate a surplus of \$500 thousand. While the revised forecast represents an increase over adopted, it is important to note revenues remain flat compared to FY 2021 actuals. Staff will continue to monitor automobile production/supply trends and their impact on the number of vehicle unit growth in the County.

**Sales Tax** collected since the beginning of FY 2022 has averaged \$7.2 million per month, placing this revenue stream on track to eclipse the adopted forecast of \$74.1 million by approximately \$10-\$12 million. Staff is of the opinion the current presence of firm and consistent spending behavior within the Commonwealth, combined with a healthy level of aggregate accumulated consumer savings, is supportive of maintaining the FY 2022 sales tax projection at \$82.5 million.

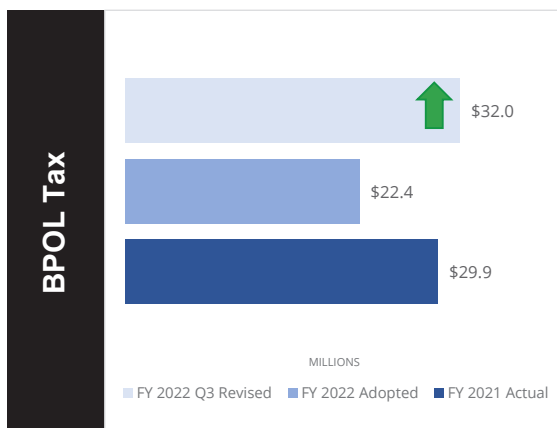
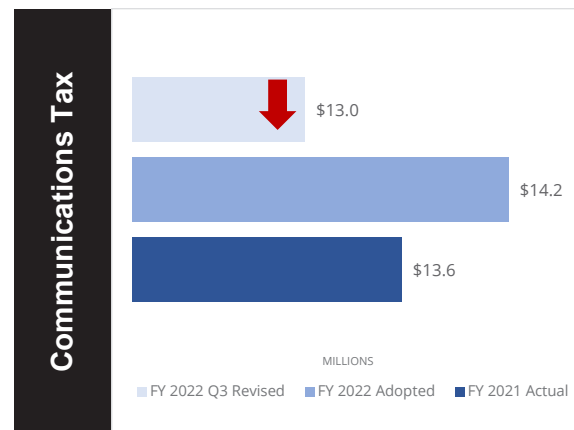
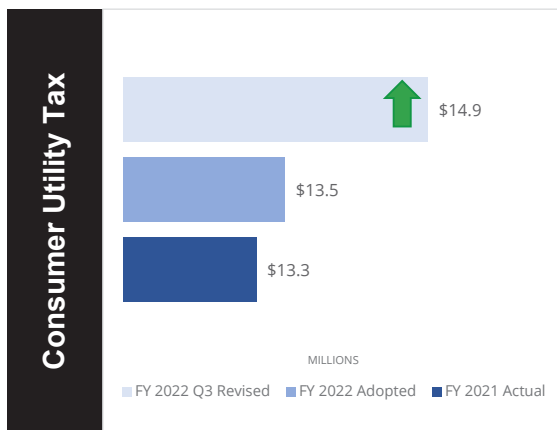


Dollar amounts expressed in millions

*Consumer Utility Tax* received and recorded is on pace to exceed the adopted forecast of \$13.5 million by approximately \$1.4 million. The volatility of monthly cash flow received during FY 2021, coupled with actual revenue collected of \$13.3 million, led staff to recalibrate the FY 2022 forecast in early 2021 to reflect future uncertainty of utility tax receipts. Payment consistency during the current fiscal year has reverted to a trend similar to FY 2020, which staff believes supports revising the FY 2022 projection to \$14.9 million.

*Communications Tax* revenue received in FY 2022 has trended below levels necessary to meet the adopted forecast of \$14.2 million. Currently, this revenue source is projected to produce annualized revenue of \$13 million, a \$1.2 million shortfall. Gravitation to mobile technology continues to produce a steady decline in land-line usage.

*Business, Professional and Occupational License (BPOL) Tax* was originally projected to produce \$22.4 million of revenue for FY 2022 based on the challenges COVID-19 could present to business fundamentals. On the heels of FY 2021 collections that totaled \$29.9 million, a business climate that demonstrated steady improvement throughout 2021, and evidence of sound consumer demand, staff revised the second quarter forecast for FY 2022 collections to \$28 million. The third quarter revision reflects actual revenue (BPOL payments due March 1<sup>st</sup>) collected to date.

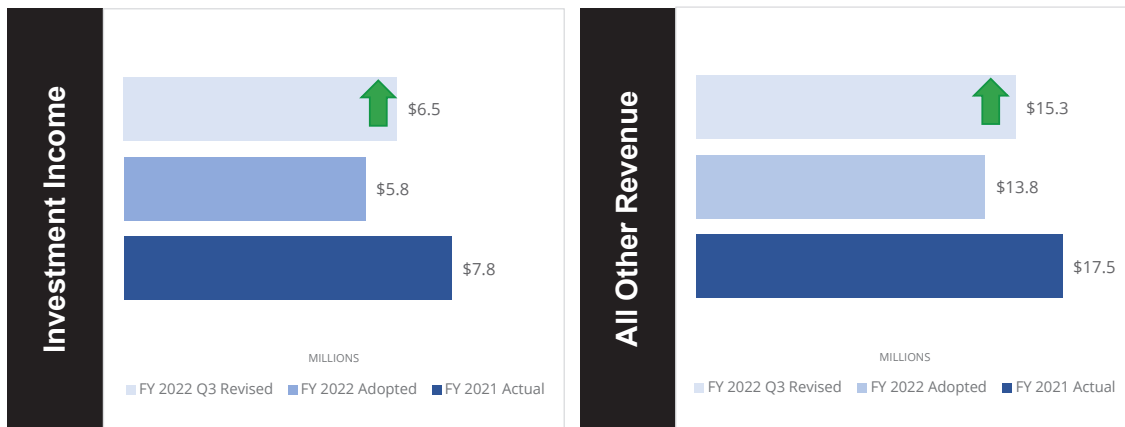


Dollar amounts expressed in millions

*Investment Income* received and recorded is currently tracking at an annualized pace to warrant a revision to \$6.5 million from the FY 2022 adopted forecast of \$5.8 million. An escalation of inflation fighting rhetoric emanating from Federal Reserve officials since the beginning of the year has led the bond market to price in a steeper path of Federal Funds rate increases believed to be necessary to combat price pressures circulating through the U.S. economy. The result has been a sharp rise in interest rates that has improved income generation within the County's general portfolio.

*All Other Revenue* has been revised to reflect a surplus of \$1.4 million. Upward revisions to the Transient Occupancy Tax, \$800 thousand and Rental Car and Passenger Tax, \$435 thousand reflect modest improvements to the Travel & Tourism Industry. Other revenue sources that are expected to deliver surpluses include: Bank Franchise Tax \$900 thousand, Tax on Deeds \$800 thousand and BPOL (Public Utility) \$276 thousand.

The Cigarette Tax forecast was originally based on a full year collection. The County was approved to become a member of the Northern Virginia Cigarette Tax Board by the Board of County Supervisors on November 9, 2021. Because the levy of the Cigarette Tax became effective January 1, 2022, the forecast now represents a six-month collection period. Revenue collected during the first three months has trended around \$350,000 and is now expected to generate approximately \$2 million in FY 2022.



Dollar amounts expressed in millions

# Looking Ahead

## Economy At-A-Glance

Indicator	Prior <sup>1</sup> 12/31/2021	Current <sup>1</sup> 3/31/2022	Trend					Notes
<b>General</b>								
Consumer Price Index (CPI)	7.0%	8.5%	●					Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	6.9%	-1.4%			●			Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	0.07%	0.33%			●			Target interest rate set by the Federal Open Market Committee (FOMC). Establishes baseline lending rates and short term rates of return.
S&P 500 Index	4,766	4,530			●			Considered the best single gauge of large-cap U.S. equities. The index contains 500 leading companies and captures approximately 80% of available market capitalization.
<b>Unemployment Rate</b>								
National	3.9%	3.6%				●		Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	3.3% (R)	3.0% (P)				●		Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.7% (R)	2.6% (P)				●		Tracks the number of unemployed persons as a percentage of the total PWC labor force.
<b>Average Weekly Wages <sup>2</sup></b>								
National	\$1,241	\$1,251		●				Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	\$1,257	\$1,264		●				Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	\$1,056	\$1,088		●				Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
<b>Employment Establishments <sup>3</sup></b>								
Virginia	293,625	299,224			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	93,287	94,409			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	9,869	9,997			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.
<b>Revenue</b>								
Retail Sales: National	-1.90%	0.50%			●			Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	14.8%	15.2%				●		Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	13.6%	12.3%				●		Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	14.1%	14.5%				●		Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
<b>Vehicles</b>								
National Automobile Sales	14.94 M	14.01 M		●				Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
<b>Real Estate Market: Prince William County</b>								
Average Sales Price	\$494,217	\$551,269		●				Reflects the average sold price for a home.
Closed Sales	654	641			●			Reflects the number of closed home sales.
Average Days on Market	19	9			●			Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	0.28	0.37		●				A ratio > 1 suggests supply of homes on the market exceeds current demand. A ratio < 1 suggests supply of homes on the market is below current demand.
Occupancy Permits Issued	341	258			●			Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	202	376			●			Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	5.3%	4.6%			●			Tracks the percentage of vacant store front property by square feet.

<sup>1</sup> Reflects data available as of the date displayed

<sup>2</sup> Average Weekly Wages lags current and prior period by 2 quarters

<sup>3</sup> Employment Establishments lags current and prior period by 2 quarters



## National, State, and Local Trends

**National** The Federal Reserve has embarked on what is expected to be a series of interest rate increases meant to tame inflationary pressure permeating through the U.S. economy. The Federal Funds rate was increased in March by 0.25%, followed by a second 0.50% hike in May. Though the inflation-fighting credibility of the most powerful financial institution in the world has been called into question by some market observers, Fed Chair Powell and his colleagues have been able to escalate a tightening of financial conditions since the beginning of the year by simply *communicating* the Federal Reserve's intent to prioritize price stability. Despite recurring evidence of broad-based inflationary pressure that is forecast to keep CPI elevated in the months ahead, up until mid-March the Fed was still buying Treasuries and mortgage-backed securities, while the Fed's nearly \$9 trillion balance sheet is still a measure of accommodation in the form of added liquidity. Time will determine whether Fed actions are congruent with the messaging that has been disseminated. As of March 16, central bank policy makers anticipate a steeper path of rate hikes than previously forecast – seven increases this year, four in 2023, and none during 2024. If realized, those actions would take the Fed Funds rate to 2.8% versus December's projection of 2.1%. Currently, the bond market has priced in the probability of nearly 8 rate hikes for 2022, which equates to a Fed Funds rate of 2.8%.

**Consumer Price Index (CPI)** Headline inflation continued to advance throughout the quarter, culminating with a year-over-year increase in the March CPI of 8.5%. March's print, the highest since December 1981, was preceded by increases of 7.9% and 7.5% during February and January, respectively. The ingredients spurring price pressures - food, energy, shelter, and demand for labor - have remained firmly intact. Details from the March report revealed core goods prices (excludes food & energy) decreased for the first time in a year to -0.4% from the previous month, led by a decline in used vehicle prices and a general moderation in several other sectors. Though a welcome development, higher services inflation in the form of housing costs (0.5%), transportation services (2.0%) and medical care (0.6%) partially offset the overall decline in core goods. Despite Federal Reserve officials telegraphing their intent to prioritize price stability in the coming months, taming inflationary pressure has been further complicated by a surge in commodity prices spawned by Russia's invasion of Ukraine in late February. Energy prices accelerated 11.0% in March, contributing approximately two-thirds to the month-over-month CPI increase of 1.2%. Food prices, previously expected to exude upward momentum in the months ahead, have been placed under additional pressure by the Russia/Ukraine conflict, two of the largest wheat producers in the world. With wheat futures contracts up more than 40% from pre-invasion levels, and potential costs yet to be passed through to related consumer products, markets are bracing for the prospect of a profound reduction in global wheat production for the current growing season. Comparable to a year ago, evidence is emerging that inflation is beginning to rotate from goods to services. Staunch inflationary momentum in services categories such as car rentals, airfare, and hotels suggest spending appetite, for the time being, is firm. Notwithstanding housing costs, which is expected to continue as a primary driver of inflation within the services component of CPI, the medical care and transportation sectors stand to be persistent sources of price pressures as well. Increasing costs for insured parts and higher road related accident rates have underpinned rising transportation insurance over the past few months. Meanwhile, prices for medical care services have remained below the pre-pandemic trend, an indication this category has the potential to propel services inflation higher.

**Gross Domestic Product (GDP)** Headline GDP declined -1.4% in the first quarter of 2022, down from 6.9% the prior quarter, and represented the first contraction since the pandemic took hold in the first half of 2020. Details from the Bureau of Economic Analysis report revealed a substantial negative contribution from net trade shaved 3.2 percentage points from GDP, the result of weak exports amid a global growth slowdown and robust imports propelled by strength in both domestic demand and the U.S. dollar. Slower inventory accumulation was a drag on growth as well, subtracting 0.8 percentage points. Final sales to domestic purchasers (excludes inventories and trade) rose 2.6%, an indication that consumer demand remained firm. Following the COVID recession in 2020 headline GDP and final sales to domestic purchasers have exhibited opposing trajectories as virus outbreaks and supply-chain

disruptions have made it challenging for companies to forecast consumer and business demand. As a result, the business community has struggled to adjust inventories accordingly, which has led to large imbalances in trade and inventory accumulation. After accounting for volatility over the previous two quarters, GDP growth averaged 2.8%, a respectable gain when measured against the pre-pandemic pace. Personal consumption (the largest component of GDP) grew 2.7% compared to 2.5% the previous quarter. Though spending on goods fell -0.1%, services spending advanced 4.3%, led by health care. As COVID infections receded during the quarter, consumers exhibited a familiar pattern of shifting their spending to services from goods. High-frequency activity indicators continue to demonstrate firm demand for services such as travel and recreation. Barring any consequential disruptions, a tight labor market coupled with significant stock market and home-price gains should continue to support economic growth leading into the second half of 2022.

**Labor Market** The brisk pace at which American workers entered the workforce throughout the quarter, combined with sound labor demand in various sectors of the U.S. economy, has continued to support the premise that inflation could remain persistent as wage pressure builds. Nonfarm payrolls increased 431 thousand in March, preceded by gains of 750 thousand in February and 504 thousand in January. Details from the March report disclosed the labor force grew by 418 thousand which helped drive the unemployment rate down to 3.6% from 3.9% as of prior quarter end. Currently, the 3.6% unemployment rate is slightly above the pre-pandemic mark of 3.5% and the median forecast Federal Reserve officials have penciled in for year-end 2022. Provided consumer demand does not fade as the year progresses, it is not inconceivable unemployment could fall below 3.4%, a level not seen since 1953. The strength in net hiring appears to reflect not only workers returning as COVID cases and health care concerns have abated, but possibly a sense of urgency for Americans in lower income tiers to secure employment to combat the impacts of high inflation and declining savings. Absences from work in March because of illness dropped to 1.1 million versus 1.6 million in February, while nonattendance due to pandemic related closures by employers or loss of business declined to 2.5 million from 4.2 million the previous month. Sector employment gains were led by leisure and hospitality (112 thousand), professional and business services (102 thousand), retail (49 thousand), and manufacturing (38 thousand). Average hourly earnings continued to impress, rising 5.6% year-over-year. Generally, monthly gains were balanced across the goods and services sectors, though leisure and hospitality (1.2%) and retail trade (0.7%) stood out among larger industries. But with inflation running well north of current wage gains many Americans, particularly those in lower pay scale tiers, will not necessarily feel as though their quality of life has taken an exponential step forward.

**Retail Sales** Retail spending during March was boosted by gasoline purchases that approached 10.0% of all retail sales. If not for the impact of surging prices at the pump, overall retail sales would have declined. Though retail sales rose 0.5%, department stores, online retailers, and control-group sales all registered a decline for the second straight month. Control-group sales, which exclude autos, gasoline, building materials and food services to provide a sharper picture of spending trends, fell 0.1% following a 0.9% drop in February. The data appears to indicate consumer spending is slowing as Americans are confronted with tougher choices amid escalating inflation. Sales at gasoline stations provided the most significant upward contribution for the second consecutive month, rising 8.9% in March and lending 0.8 percentage points to the headline advance. Elsewhere within the retail sector, high prices and low inventories contributed to a -1.9% drop in sales at vehicle and parts dealers, while sales at department stores (-0.3%) and online retailers (-6.4%) helped squelch upside momentum. Consumers have clearly reigned in goods spending since the beginning of the year, but despite current headwinds an abrupt slowdown does not appear imminent. Many Americans have been able to leverage a significant wealth effect supported by gains in the stock and housing markets. And while both of those markets have come under varying measures of pressure over the past couple months, neither appear poised for a widespread collapse in the near-term.

**Automobile Industry** The National Automobile Dealers Association (NADA) reported Seasonally Adjusted Annual Rate (SAAR) new light-vehicle sales of 14.01 million units through March, down 16.8% from the same period last year. Although the automobile sales fell throughout the quarter, limited by microchip



shortages and supply chain shocks from the war in Ukraine, new-vehicle sales had their best quarter since second quarter 2021. Original equipment manufacturers (OEMs) continue to be stymied by supply chain issues which has prevented their final assembly plants from operating at full capacity. Wards Intelligence estimates the average production capacity utilization rate in a North American assembly plant was 70.3% in fourth quarter 2021, down from 85.4% in fourth quarter 2020. Extremely lean inventory combined with an adequate level of demand allowed OEMs to cut average incentive spending yet again in March. According to J.D. Power, average incentive spending per unit is expected reach an unprecedented low of \$1,044, down 68.7% from March 2021. At the same time, transaction prices and monthly payments increased during March. The average transaction price is anticipated to reach a March record of \$43,737, while the average monthly payment for a new vehicle is projected to reach \$658, an increase of 12.4% from the same period last year. Though average monthly payments have risen sharply over the past year, the pace has been partially offset by high trade-in equity, which is expected to be up 81.3% in March compared to one year prior. To date, NADA has not altered its 2022 sales forecast of 15.4 million new light-vehicle sales but acknowledges supply-side risks and potential pandemic-related impacts remain obstacles confronting a manufacturer's ability to scale up production.

*State* The Commonwealth reported general fund revenues rose 22.3% in March from the prior year, noting strong collections in payroll withholdings, retail sales tax receipts and initial individual final payments due May 2. On a fiscal year-to-date basis, revenue collections through March advanced 14.5%, comfortably exceeding the revised forecast of a 9.2% annual increase. Leading into the end of the current fiscal year officials are of the opinion the revised forecast will be achieved, supported by strength in key drivers of general fund revenues and the current economic backdrop. Year-over-year individual income tax withholding (68% of general fund revenues) receipts rose 12.7%, exceeding the annual growth forecast of 7.3%, while sales tax collections (17% of general fund revenues) rose 18.7%, surpassing the annual estimate of 2.5%. Governor Youngkin struck an upbeat tone upon release of the March report, declaring, "With this report confirming and exceeding our mid-session general fund forecast we continue to see evidence that there's plenty of money in the system to provide critical tax cuts and needed relief for Virginians struggling with rising gas prices and record-high inflation on groceries and the products they need every day."

Virginia's seasonally adjusted unemployment rate fell to 3.0% in March, 1.5 percentage points below the rate from the same period one year ago. The Virginia Employment Commission's March report disclosed Virginia's labor force increased by 19,532 workers to 4,311,629, while the number of unemployed residents decreased by 4,922 to 131,101. The Commission reported employment increased during March in seven of eleven major categories, led by job gains in education and health services (3,000) and professional and business services (1,600). Of the categories that shed jobs, the largest decline occurred in the trade and transportation sector (-3,000).

*Local* Following national and state trends, widespread demand for workers has underpinned Prince William County's strengthening labor market. The County's unemployment rate for March fell to a current year low of 2.6% from 2.7% in December. While the availability of granular data to assess the overall state of the County's job market are limited, confirmation of labor market health can be gleaned from average initial claims for unemployment insurance submitted over the quarter. For the quarter ended March 31, average initial claims of 93 were slightly below the December 2021 mark of 96, an indication labor market conditions remain tight.

While acute health impacts from COVID-19 have begun to recede, significant challenges faced by many members of the community in the wake of the pandemic remain. Prince William County Government has persistently served residents and businesses by seeking available avenues to disburse the County's allocation of funds issued by the U.S. Government to support relief efforts. The County is expected to receive the second, and final, \$45.7 million installment of federal funds issued through the American Rescue Plan Act of 2021 (ARPA) in June 2022. As has been the case with prior federal disbursements, County staff will partner with the Board of County Supervisors to assess areas of the community where remaining ARPA funds can be applied to provide economic relief to vulnerable residents and businesses, continuing the County's emergence response efforts, as needed, to combat COVID-19, recognizing the

County's "essential workers" that face/faced elevated risk due to the nature of their work, and investing in eligible community priorities consistent with the Board adopted Strategic Plan and other directives to create lasting and transformative impacts.

## Prince William County Real Estate Market

*Residential Sales Activity* The following highlights are based on Metropolitan Regional Information Systems (MRIS) data for the quarters ended March 2022 and March 2021.

Category	Mar 2022	Mar 2021	Increase/(Decrease)
Median Sold Price	\$520,000	\$445,000	16.8%
Units Sold	641	652	-1.7%
Active Listings	239	223	7.2%
Average Days on Market	9	6	50.0%
New Listings	860	935	-8.0%

Interest rates have risen sharply in response to market expectations the Federal Reserve will need to act aggressively to combat inflationary pressure circulating through the U.S. economy. Freddie Mac's Primary Mortgage Market Survey indicates the average 30-year fixed rate mortgage is 5.27%, an increase of 2.0% since the beginning of January. While Freddie Mac acknowledges housing affordability and inflationary pressure are high hurdles to overcome for potential buyers, the organization believes home price growth will continue but the pace will abate in the months ahead. Virginia Realtors monthly Flash Survey indicated buyer activity reached a nine-month high during March. Approximately 75% of survey respondents signaled buyer activity in their local markets was "high" or "very high", while just 6% implied buyer activity in their local market was "low" or "very low. According to the March survey, 18% of buyers were first-time purchasers, 18% of purchases were cash transactions, and 16% of buyers purchased a non-primary residence. Buyer's willingness to bid up already lofty valuations suggests an elevated level of urgency over escalating interest rates and a fear of missing out may be taking hold. In addition to an average of 6.6 offers per transaction, the March Flash Survey revealed 76.8% of survey participants said offers were coming in above list price.

*Commercial Sector* For the quarter ended March 2022, Costar Realty Group (Costar) reported the County's commercial inventory included 52.2 million occupied square feet (sq. ft.) of space in 2,173 buildings with 2.4 million sq. ft. of vacant space. Virginia Realtors most recent commercial real estate report described Virginia's commercial market as having been "very resilient during the pandemic" and that commercial sectors will continue to recover in 2022. The report referenced the word "hybrid" to describe the commercial market's transition to a post-pandemic economy. Businesses are expected to provide flexible work arrangements to a higher degree than had been made available prior to the pandemic, while retail will merge the best features of in-person and online shopping.

# PRINCE WILLIAM COUNTY

## 3rd Quarter FY 2022 Expenditures

### General Information

The Board of County Supervisors (BOCS) adopted the ***Principles of Sound Financial Management***; the County government's guiding financial policies. The Principles require that the BOCS receive a quarterly general fund revenue and expenditure update within 45 days of the end of each quarter.

The County's fiscal year runs from July 1 to June 30. The BOCS adopted a FY 2022 general fund budget of \$1.35 billion.

- \$655.8 million adopted School transfer, in accordance with the County-Schools revenue sharing agreement.
- \$698.4 million adopted County government general fund budget, including transfers.

In accordance with State Code, the County cannot exceed the annual legal appropriation. As a result, the County general fund budget will always have a year-end surplus.

County agencies may have revenue sources other than local taxes that support the general fund expenditure budget. These include charges for services, federal and state revenue, court fines, and fees.

### Third Quarter Summary

1. ***General Fund Reporting*** – This report includes only unrestricted general fund expenditures. It does not include restricted funds within the general fund such as recordation tax designated for mobility, transient occupancy tax mandated for tourism, cable franchise capital grant, proffers, grants, or criminal forfeitures.
2. ***Revised FY 2022 Budget*** – As of March 31, 2022, the revised County government unrestricted general fund budget, excluding transfers, was \$669.8 million.

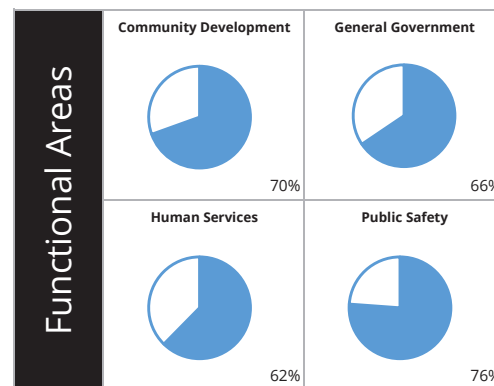
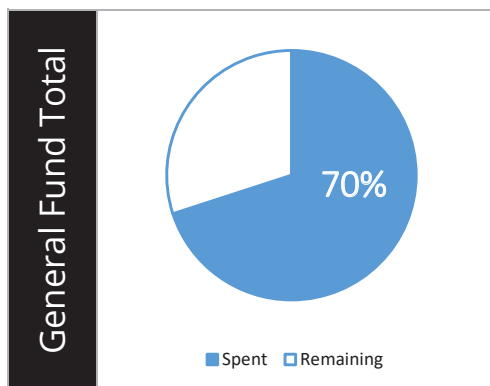
- Third Quarter General Fund Expenditures** – As of March 31, 2022, 72.6% of the expenditure budget was spent. Excluding Non-Departmental and Debt Service, which are not indicators of direct County agency operations and have a disproportionate share of expenditures during the first quarter, agencies spent 70.0% of the operating expenditure budget. **Current projections indicate 96.0% of the County government’s general fund expenditure budget will be expended by year-end. Projected expenditure savings at the end of the fiscal year are estimated at approximately \$27.0 million.**

Percent of Budget Spent (Including Debt Service & Non-Departmental)	Percent of Budget Spent (Excluding Debt Service & Non-Departmental)
<b>72.6%</b>	<b>70.0%</b>

- Pay Periods per Quarter** – The number of pay periods differ by quarter. The first two quarters included an additional two-week pay period. The additional payroll means agencies will have higher salary and benefit actuals through the third quarter.
- Information Technology Charges** – Information technology costs for the entire fiscal year were billed to County agencies in the first half of the year. Therefore, Internal Services expenditures are higher than normally anticipated, as well as overall general fund expenditures. **After accounting for full-year internal services costs, County agencies spent 68.6% of their expenditure budget.**

Percent of Budget Spent (Excluding Debt Service, Non-Departmental, & Internal Services)
<b>68.6%</b>

- COVID-19 Pandemic Recovery and Impact on Agency Revenue** – The COVID-19 pandemic impacted agency revenue throughout FY21 as many Parks, Recreation & Tourism facilities operated at reduced service hours and capacity. In addition, fines and forfeitures collected by the Courts, Sheriff, and Library were all at reduced levels. Social Services special education private day school placement reimbursements were less than budgeted during FY 2021 due to the challenges of providing services in a remote environment during the 2020/2021 academic year. Total general fund agency revenue in FY 2021 was \$21.3 million below budget. While general fund agency revenue is improving during FY 2022, it has not recovered to pre-pandemic levels. **General fund agency revenue is projected to be \$8-10 million below budget.**
- Agency Variances** – Notable variances are reported based on the ‘Spent %’ column on the following pages. Encumbrances are not included in the agency detailed tables and charts.




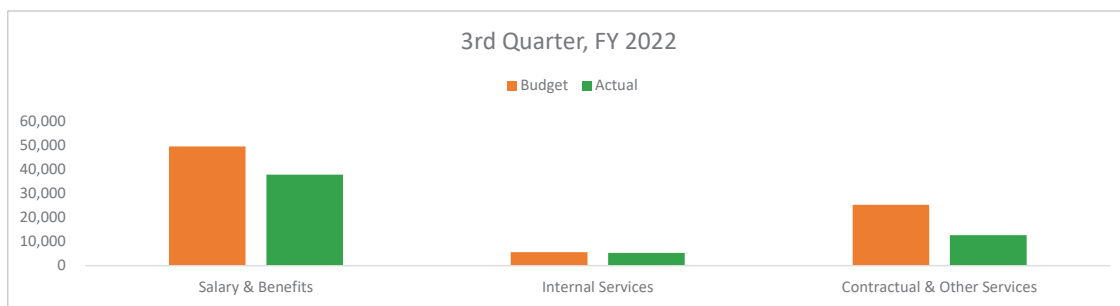
## Community Development Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

- Economic Development
- Library
- Parks, Recreation & Tourism
- Planning
- Public Works
- Transportation

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Community Development</b>	Salary & Benefits	49,641.43	37,877.84	
	Internal Services	5,645.13	5,358.48	
	Contractual & Other Services	25,306.24	12,693.33	
	Reserves & Contingencies	(3,420.35)	(2,287.23)	
	<b>77,172.44</b>	<b>53,642.42</b>	<b>69.51%</b>	




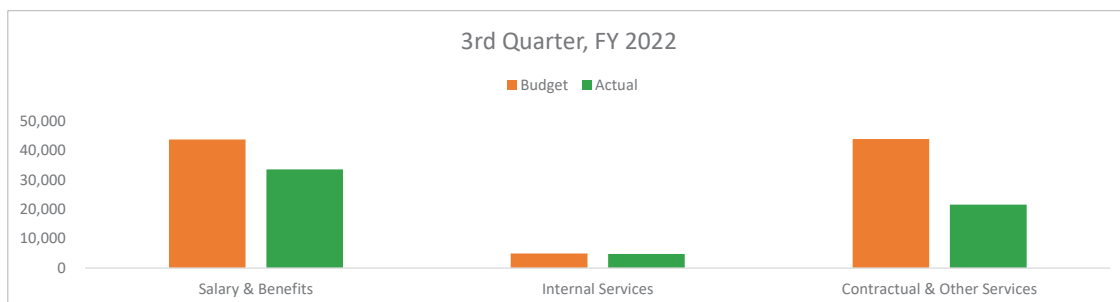
## General Government Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

- Board of County Supervisors
- County Attorney
- Elections
- Executive Management
- Facilities & Fleet Management
- Finance
- Human Resources
- Human Rights
- Management & Budget

Functional Area	Spending Category	Budget	Actual	Spent %
<b>General Government</b>	Salary & Benefits	43,792.97	33,620.72	
	Internal Services	4,952.28	4,830.41	
	Contractual & Other Services	43,945.14	21,583.91	
	Reserves & Contingencies	(3,925.61)	(1,849.84)	
	<b>88,764.78</b>	<b>58,185.20</b>	<b>65.55%</b>	




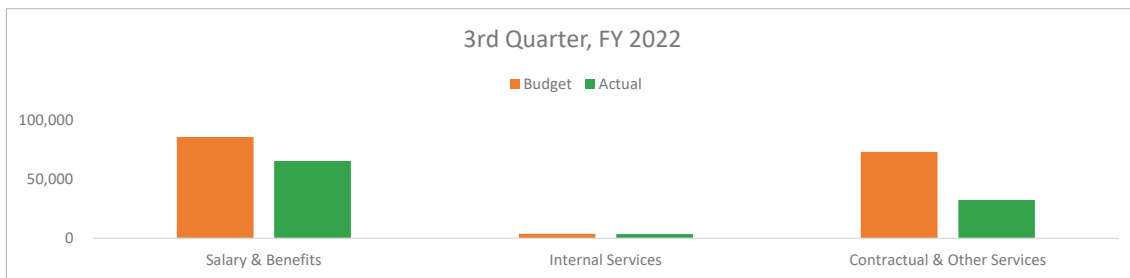
## Human Services Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

- Aging
- Cooperative Extension Service
- Social Services
- Community Services
- Public Health

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Human Services</b>	Salary & Benefits	85,896.61	65,491.34	
	Internal Services	3,854.30	3,705.88	
	Contractual & Other Services	73,231.05	32,459.90	
	Reserves & Contingencies	0.00	0.00	
		<b>162,981.96</b>	<b>101,657.13</b>	




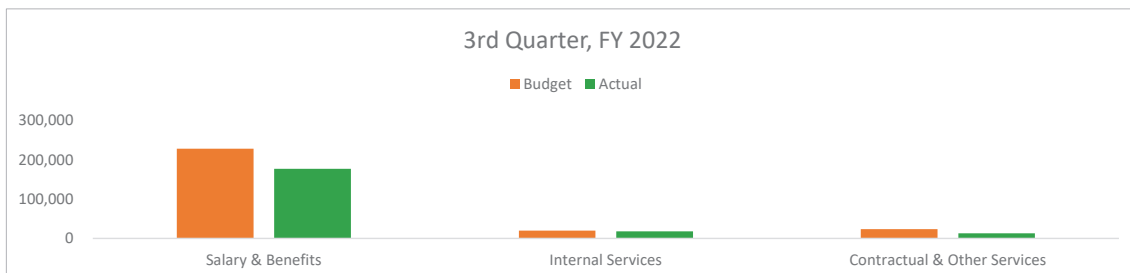
## Public Safety Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies







- Circuit Court Judges
- General District Court
- Public Safety Communications
- Circuit Clerk Court
- Juvenile & Domestic Relations Court
- Sheriff
- Commonwealth's Attorney
- Juvenile Court Service Unit
- Criminal Justice Services
- Magistrates
- Fire & Rescue
- Police

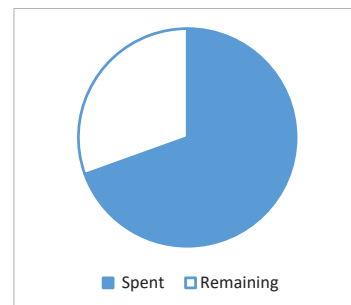
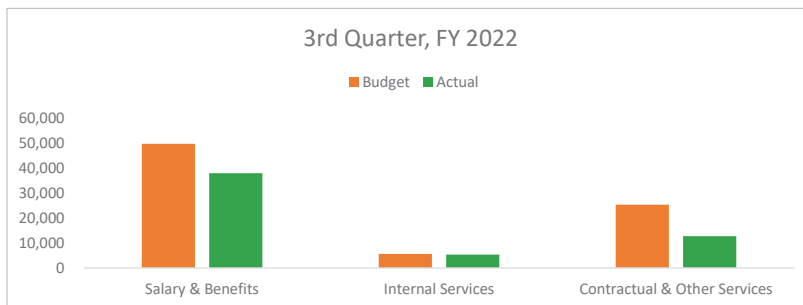
Functional Area	Spending Category	Budget	Actual	Spent %
<b>Public Safety</b>	Salary & Benefits	227,879.92	176,583.35	
	Internal Services	19,668.62	17,904.04	
	Contractual & Other Services	23,619.29	13,011.27	
	Reserves & Contingencies	1,250.00	(29.10)	
		<b>272,417.83</b>	<b>207,469.56</b>	



# Community Development Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Economic Development</b>	Salary & Benefits	2,426.02	2,079.39	
	Internal Services	67.02	62.09	
	Contractual & Other Services	2,519.38	1,331.00	
	Reserves & Contingencies	0.00	0.00	
		<b>5,012.42</b>	<b>3,472.48</b>	<b>69.28%</b>
<b>Library</b>	Salary & Benefits	15,198.07	11,029.03	
	Internal Services	1,083.53	1,058.36	
	Contractual & Other Services	3,510.28	1,826.89	
	Reserves & Contingencies	0.00	0.00	
		<b>19,791.88</b>	<b>13,914.28</b>	<b>70.30%</b>
<b>Parks, Recreation &amp; Tourism</b>	Salary & Benefits	24,024.02	17,829.08	
	Internal Services	2,034.38	1,860.62	
	Contractual & Other Services	13,850.53	6,748.11	
	Reserves & Contingencies	(154.00)	0.00	
		<b>39,754.94</b>	<b>26,437.81</b>	<b>66.50%</b>
<b>Planning</b>	Salary & Benefits	1,309.80	1,055.77	
	Internal Services	2,054.98	2,049.16	
	Contractual & Other Services	1,561.37	825.24	
	Reserves & Contingencies	0.00	0.99	
		<b>4,926.15</b>	<b>3,931.15</b>	<b>79.80%</b>
<b>Public Works</b>	Salary & Benefits	2,925.27	2,457.51	
	Internal Services	250.29	206.91	
	Contractual & Other Services	970.34	495.06	
	Reserves & Contingencies	(168.49)	(106.31)	
		<b>3,977.40</b>	<b>3,053.16</b>	<b>76.76%</b>
<b>Transportation</b>	Salary & Benefits	3,758.25	3,427.07	
	Internal Services	154.93	121.34	
	Contractual & Other Services	2,894.34	1,467.03	
	Reserves & Contingencies	(3,097.86)	(2,181.92)	
		<b>3,709.66</b>	<b>2,833.53</b>	<b>76.38%</b>












## Notable Variances

- Economic Development** - Funds of \$0.8M have been encumbered in Contractual & Other Services. Those funds are not included in the actuals.
- Library** - Contractual & Other Services has \$798K encumbered for future high volume purchases of materials with major vendors. This includes \$455K for the Library's total inventory and collections/materials tracking system, scheduled to be paid to the Library's primary vendor Polaris.
- Parks, Recreation & Tourism** - Contractual & Other Services expenditures are underspent due to managing projected agency revenue shortfalls estimated at approximately \$1.7 million. Fourth quarter expenses are anticipated to increase due to preparations for camps and pool operations this summer.
- Planning** - A disproportionate amount of the Planning budget resides in the DoIT Internal Services series due to being the countywide host for the Geographic Information System (GIS). These DoIT Internal Services have been billed for the entire year. Adjusting for this item, year to date spending would be 65.5% of budget.

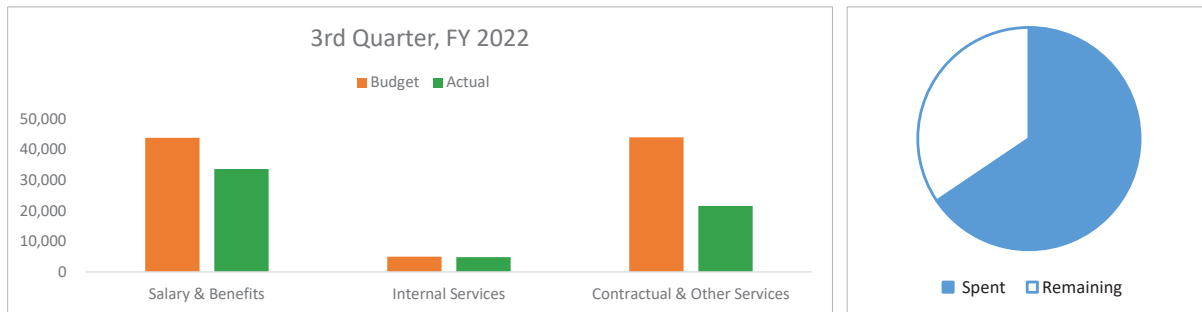
# General Government Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Board of County Supervisors</b>	Salary & Benefits	3,140.98	2,241.36	
	Internal Services	129.08	128.82	
	Contractual & Other Services	2,301.36	1,059.32	
	Reserves & Contingencies	0.00	0.00	
	<b>5,571.42</b>	<b>3,429.50</b>	<b>61.56%</b>	
<b>County Attorney</b>	Salary & Benefits	4,057.68	3,148.89	
	Internal Services	88.28	87.84	
	Contractual & Other Services	388.14	(72.35)	
	Reserves & Contingencies	(176.93)	(42.42)	
	<b>4,357.17</b>	<b>3,121.96</b>	<b>71.65%</b>	
<b>Elections</b>	Salary & Benefits	1,902.70	1,226.84	
	Internal Services	109.08	111.47	
	Contractual & Other Services	1,474.19	543.36	
	Reserves & Contingencies	0.00	0.00	
	<b>3,485.97</b>	<b>1,881.66</b>	<b>53.98%</b>	
<b>Executive Management</b>	Salary & Benefits	3,798.66	3,309.62	
	Internal Services	142.81	134.57	
	Contractual & Other Services	1,668.93	556.67	
	Reserves & Contingencies	0.00	0.00	
	<b>5,610.39</b>	<b>4,000.86</b>	<b>71.31%</b>	
<b>Facilities &amp; Fleet Management</b>	Salary & Benefits	9,318.69	7,680.92	
	Internal Services	625.55	521.80	
	Contractual & Other Services	28,820.67	15,993.36	
	Reserves & Contingencies	(2,535.92)	(1,018.22)	
	<b>36,228.98</b>	<b>23,177.86</b>	<b>63.98%</b>	
<b>Finance</b>	Salary & Benefits	15,640.24	11,568.20	
	Internal Services	3,213.99	3,202.64	
	Contractual & Other Services	7,545.58	2,493.33	
	Reserves & Contingencies	(523.31)	(174.33)	
	<b>25,876.50</b>	<b>17,089.84</b>	<b>66.04%</b>	
<b>Human Resources</b>	Salary & Benefits	3,920.92	2,708.34	
	Internal Services	578.00	578.00	
	Contractual & Other Services	1,671.52	974.18	
	Reserves & Contingencies	(689.46)	(614.87)	
	<b>5,480.98</b>	<b>3,645.65</b>	<b>66.51%</b>	
<b>Human Rights Office</b>	Salary & Benefits	543.22	555.05	
	Internal Services	24.74	24.74	
	Contractual & Other Services	(22.66)	17.62	
	Reserves & Contingencies	0.00	0.00	
	<b>545.30</b>	<b>597.41</b>	<b>109.56%</b>	
<b>Management &amp; Budget</b>	Salary & Benefits	1,469.89	1,181.50	
	Internal Services	40.76	40.54	
	Contractual & Other Services	97.42	18.41	
	Reserves & Contingencies	0.00	0.00	
	<b>1,608.06</b>	<b>1,240.45</b>	<b>77.14%</b>	



## General Government Functional Area *(Continued)*








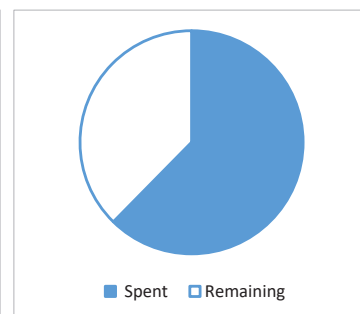
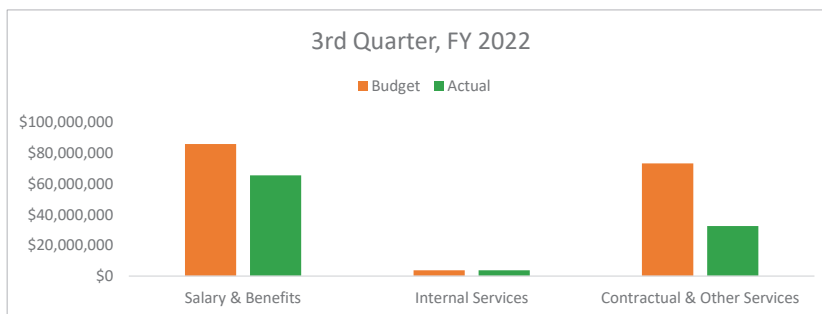
### Notable Variances

- Board of County Supervisors** - Funds of \$918K have been encumbered for Internal Audit services which is not included in the totals.
- County Attorney** - Contractual Services has not been spent pending Board decisions on Collective Bargaining.
- Elections** - Spending is anticipated to escalate in the last quarter as the department prepares for the June primary election.
- Executive Management** - Spending in Contractual & Other Services is anticipated to escalate in the last quarter, specifically related to the community survey, the Diversity, Equity, and Inclusion consultant, legislative consulting services, property rental for the legislative session, and professional services for the Communications department.
- Facilities & Fleet Management** - Funds of \$8.3M have been encumbered, primarily for rent, repairs, and utilities. Spending is anticipated to escalate in the last quarter of the year.
- Finance** - Encumbrances totaling \$2.3M include approximately \$480K for the County's audit contract, \$200K for temporary services, approximately \$600K for the management and implementation of the financial and human capital management systems, and approximately \$760K for Grant Writing Services. Including these encumbrances, 74.9% of the department's budget is spent.
- Human Resources** - Vacancies across the department account for lower-than-expected spending in Salary & Benefits. Additionally, funds of \$590K are encumbered to Temporary Solutions, Gallagher, and RSM for Contractual Services related to the County's Human Capital Management project.
- Human Rights** - Salary & Benefits is higher than budgeted due to new hires.

# Human Services Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Aging</b>	Salary & Benefits	3,197.65	2,648.07	
	Internal Services	158.39	142.66	
	Contractual & Other Services	5,156.72	3,323.89	
	Reserves & Contingencies	0.00	0.00	
	<b>8,512.76</b>	<b>6,114.62</b>	<b>71.83%</b>	
<b>Community Services</b>	Salary & Benefits	42,077.75	30,951.05	
	Internal Services	2,038.12	1,958.68	
	Contractual & Other Services	19,178.01	6,672.28	
	Reserves & Contingencies	0.00	0.00	
	<b>63,293.88</b>	<b>39,582.01</b>	<b>62.54%</b>	
<b>Cooperative Extension Service</b>	Salary & Benefits	894.35	670.23	
	Internal Services	80.83	80.83	
	Contractual & Other Services	43.58	12.72	
	Reserves & Contingencies	0.00	0.00	
	<b>1,018.76</b>	<b>763.79</b>	<b>74.97%</b>	
<b>Public Health</b>	Salary & Benefits	1,454.16	1,127.93	
	Internal Services	36.05	28.86	
	Contractual & Other Services	3,073.83	2,426.57	
	Reserves & Contingencies	0.00	0.00	
	<b>4,564.04</b>	<b>3,583.36</b>	<b>78.51%</b>	
<b>Social Services</b>	Salary & Benefits	38,272.72	30,094.07	
	Internal Services	1,540.92	1,494.85	
	Contractual & Other Services	45,778.90	20,024.44	
	Reserves & Contingencies	0.00	0.00	
	<b>85,592.53</b>	<b>51,613.35</b>	<b>60.30%</b>	












## Notable Variances

- Aging** - Funds of \$0.3M have been encumbered. Adjusting for encumbrances, the department has spent 75.3% of budget.
- Community Services** - Salary & Benefits is trending below budget due to vacancies. The department has \$4.4M in encumbered funds related to professional contractual, goods and services not included in the Actual total. Finally, Community Services received Federal and State government program funding late in the third quarter which is available for spending in the fourth quarter.
- Public Health** - Contractual & Other Services is overspent due to catch-up billings to the Virginia Department of Health. These billings include quarterly local agreement budget support, local salary supplement support, and funding for the Medical Reserve Corp position.
- Social Services** - The department's underspend is tied to the Children's Services Act (CSA) Program. The payment of CSA expenditures lags 30-60 days. Historically, this is caught up at fiscal year-end. However, due to the COVID-19 pandemic and the resultant reduction in services provided, an expenditure savings of \$2.1M is projected. The projected CSA expenditure savings will be offset by a revenue shortfall for reimbursements which will not be received from the Commonwealth.




# Public Safety Functional Area

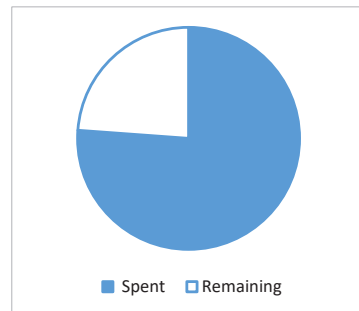
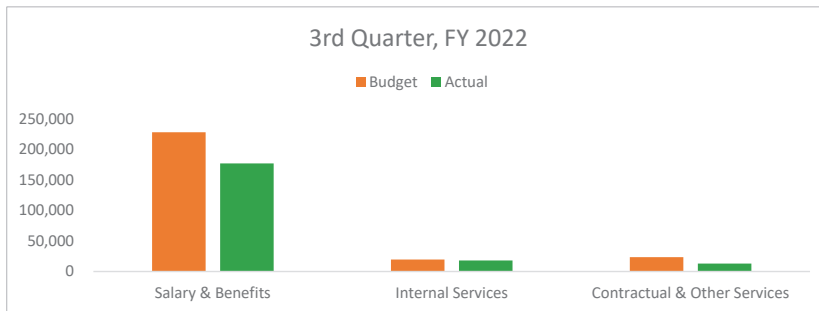
(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Circuit Court Clerk</b>	Salary & Benefits	4,005.91	2,845.14	
	Internal Services	167.95	167.76	
	Contractual & Other Services	715.75	269.10	
	Reserves & Contingencies	0.00	0.00	
	<b>4,889.61</b>	<b>3,282.00</b>	<b>67.12%</b>	
<b>Circuit Court Judges</b>	Salary & Benefits	1,029.58	896.10	
	Internal Services	39.21	39.21	
	Contractual & Other Services	91.65	62.80	
	Reserves & Contingencies	0.00	0.00	
	<b>1,160.44</b>	<b>998.11</b>	<b>86.01%</b>	
<b>Commonwealth Attorney</b>	Salary & Benefits	6,843.79	5,265.29	
	Internal Services	235.86	229.68	
	Contractual & Other Services	454.50	244.71	
	Reserves & Contingencies	0.00	0.00	
	<b>7,534.15</b>	<b>5,739.68</b>	<b>76.18%</b>	
<b>Criminal Justice Services</b>	Salary & Benefits	4,637.85	3,621.57	
	Internal Services	197.35	187.70	
	Contractual & Other Services	605.87	249.78	
	Reserves & Contingencies	0.00	0.00	
	<b>5,441.07</b>	<b>4,059.04</b>	<b>74.60%</b>	
<b>Fire &amp; Rescue</b>	Salary & Benefits	92,076.71	71,471.74	
	Internal Services	6,332.78	6,183.26	
	Contractual & Other Services	7,716.06	3,169.61	
	Reserves & Contingencies	0.00	0.00	
	<b>106,125.55</b>	<b>80,824.62</b>	<b>76.16%</b>	
<b>General District Court</b>	Salary & Benefits	687.17	364.02	
	Internal Services	45.04	45.04	
	Contractual & Other Services	217.19	43.57	
	Reserves & Contingencies	0.00	0.00	
	<b>949.39</b>	<b>452.63</b>	<b>47.68%</b>	
<b>Juvenile &amp; Domestic Relations Ct</b>	Salary & Benefits	134.90	86.27	
	Internal Services	30.30	30.30	
	Contractual & Other Services	87.00	42.53	
	Reserves & Contingencies	0.00	0.00	
	<b>252.19</b>	<b>159.10</b>	<b>63.09%</b>	
<b>Juvenile Court Service Unit</b>	Salary & Benefits	1,023.54	617.90	
	Internal Services	86.75	74.73	
	Contractual & Other Services	395.01	174.12	
	Reserves & Contingencies	0.00	0.00	
	<b>1,505.29</b>	<b>866.76</b>	<b>57.58%</b>	
<b>Magistrates</b>	Salary & Benefits	88.73	68.26	
	Internal Services	15.35	15.35	
	Contractual & Other Services	10.39	4.75	
	Reserves & Contingencies	0.00	0.00	
	<b>114.47</b>	<b>88.36</b>	<b>77.19%</b>	

## Public Safety Functional Area (Continued)

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Police</b>	Salary & Benefits	94,478.10	73,311.15	
	Internal Services	11,381.64	9,979.94	
	Contractual & Other Services	9,899.61	6,574.95	
	Reserves & Contingencies	1,250.00	0.00	
		<b>117,009.35</b>	<b>89,866.05</b>	<b>76.80%</b>
<b>Public Safety Communications</b>	Salary & Benefits	10,645.01	8,265.51	
	Internal Services	328.98	291.33	
	Contractual & Other Services	2,275.17	1,377.38	
	Reserves & Contingencies	0.00	0.00	
		<b>13,249.16</b>	<b>9,934.22</b>	<b>74.98%</b>
<b>Sheriff</b>	Salary & Benefits	12,228.64	9,770.40	
	Internal Services	807.41	659.73	
	Contractual & Other Services	1,151.11	797.97	
	Reserves & Contingencies	0.00	(29.10)	
		<b>14,187.15</b>	<b>11,199.00</b>	<b>78.94%</b>




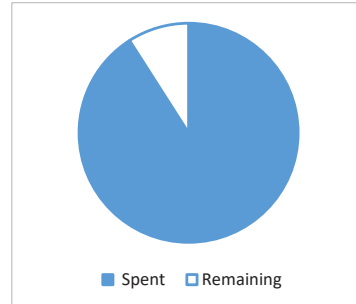
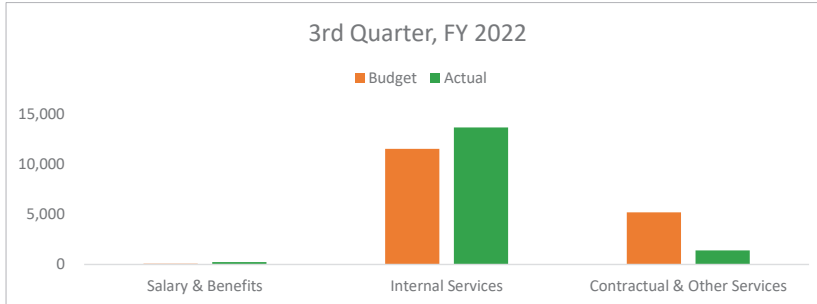
### Notable Variances

- Circuit Court Judges** - Salary & Benefits is overspent due to an additional two week payroll in the first half of the year, as well as overlap training for the new law clerks. This training ensures a smooth transition from one year to the next.
- General District Court** - Salary & Benefits and Contractual Services are both underspent due to vacancies. Budgeted hardware for new positions has not yet been ordered.
- Juvenile & Domestic Relations Court** - Salary & Benefits is underspent due to vacancies. Contractual & Other Services is underspent because quotes for office furniture have not yet been received.
- Juvenile Court Service Unit** - Salary & Benefits is underspent due to the delay of the local salary supplement payment approved in the FY 2022 Budget. The salary supplement is paid at the end of the quarter which creates a lag in use of funds.
- Sheriff** - Salary & Benefits is above budget as a result of overtime required to cover vacancies and deputy leave.

## Non-Departmental

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Non-Departmental</b>	Salary & Benefits	80.21	236.21	
	Internal Services	11,543.51	13,679.31	
	Contractual & Other Services	5,215.17	1,398.48	
	Reserves & Contingencies	0.00	0.00	
		<b>16,838.90</b>	<b>15,314.00</b>	




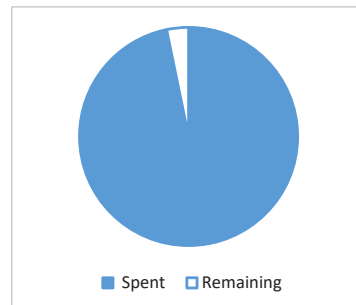
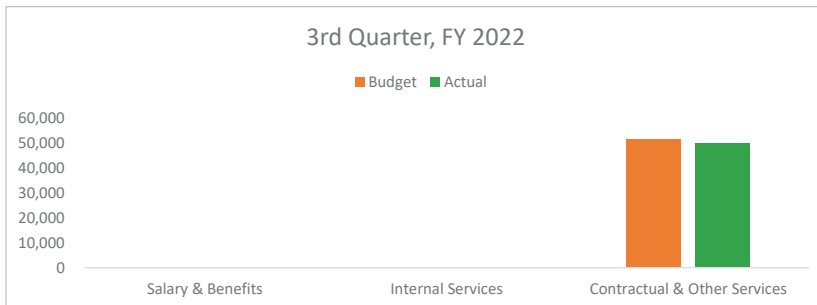
### Notable Variances

- Non-Departmental** - The following payments were made during the fiscal year: Self-Insurance Workers Compensation (\$5.9M), Self-Insurance Casualty Pool (\$2.2M), Property and Miscellaneous Insurance Premiums (\$0.7M), Unemployment Insurance & Contingency (\$0.07M), Hylton Performing Arts Center Contribution (\$0.6M), and Northern Virginia Community College Contribution (\$0.3M).

## Debt Service

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Debt Service</b>	Salary & Benefits	0.00	0.00	
	Internal Services	0.00	0.00	
	Contractual & Other Services	51,635.06	49,967.03	
	Reserves & Contingencies	0.00	0.00	
		<b>51,635.06</b>	<b>49,967.03</b>	



### Notable Variances

- Debt Service** - The majority of the County's debt service obligations are scheduled for payment in the first half of the fiscal year.



# PRINCE WILLIAM — COUNTY

Department of Finance  
Office of Management and Budget  
1 County Complex Court  
Prince William, VA 22192  
[www.pwcva.gov](http://www.pwcva.gov)