



The Board of County Supervisors

Hon. Ann B. Wheeler, Chair
Hon. Victor S. Angry, Vice Chair
Hon. Andrea O. Bailey
Hon. Kenny A. Boddye
Hon. Pete Candland
Hon. Margaret Angela Franklin
Hon. Jeanine M. Lawson
Hon. Yesli Vega

September 9, 2020

TO: Board of County Supervisors

THRU: Christopher E. Martino
County Executive

FROM: Michelle L. Attreed
Director of Finance/CFO

MLA

RE: Presentation Materials – General Revenue Update and Preliminary Forecast

Attached please find the presentation material for the General Revenue Update and Preliminary Forecast. I will present this material to you at your September 15, 2020 meeting. There is no Board action required.

Attachment

cc: County Attorney
DCXOs



PRINCE WILLIAM
COUNTY

General Revenue Update and Preliminary Forecast

Presented By: Michelle L. Attreed
Finance Department

BOCS Meeting | September 15, 2020

Agenda

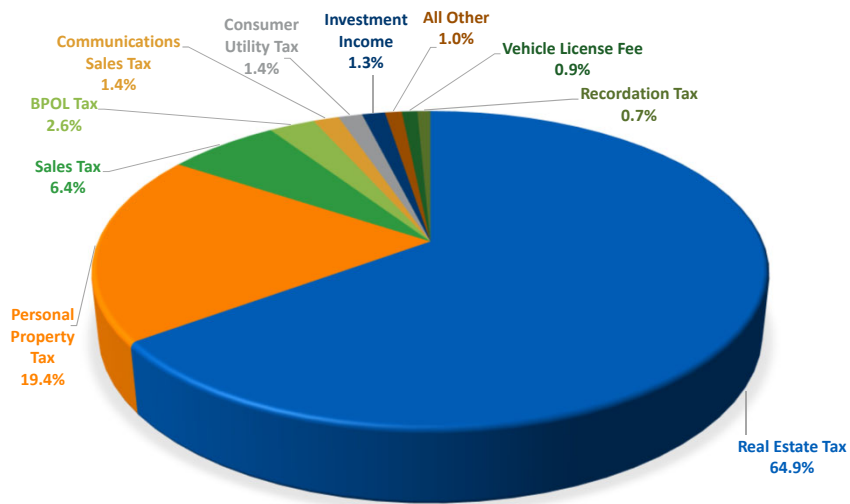


- General Revenue Performance
- Economic Update
- FY 21-25 Outlook
- Questions



General Revenue Performance

FY 2020 Adopted General Revenue Sources



\$1,068,994,000

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Early COVID-19 General Revenue Projections



Category of General Revenues	Prior Year	FY 2020						
	FY 2019	Q1		Q2	Q3		Q3	
	Year-End	Adopted	Revised	Revised	Pessimistic Scenario	\$Change from Adopted	Optimistic Scenario	\$Change from Adopted
Real Property Taxes	\$662,834,584	\$694,102,000	\$694,102,000	\$694,387,503	\$695,663,000	\$1,561,000	\$696,675,000	\$2,573,000
Personal Property Taxes	197,558,029	207,180,000	207,180,000	211,880,000	212,320,000	5,140,000	213,070,000	5,890,000
Sales Tax	68,699,741	68,176,000	68,176,000	71,448,000	64,000,000	(4,176,000)	66,800,000	(1,376,000)
Consumer Utility Tax	14,443,344	14,590,000	14,590,000	14,590,000	14,000,000	(590,000)	14,590,000	0
Communications Tax	15,289,789	15,500,000	15,500,000	14,900,000	14,500,000	(1,000,000)	14,900,000	(600,000)
BPOL Tax	26,945,229	28,000,000	28,000,000	27,600,000	26,615,000	(1,385,000)	26,615,000	(1,385,000)
Investment Income	11,893,648	13,940,000	13,940,000	11,200,000	11,000,000	(2,940,000)	11,200,000	(2,740,000)
All Other	22,433,190	21,646,000	21,646,000	22,827,000	20,208,000	(1,438,000)	21,943,000	297,000
Total General Revenues	\$1,020,097,554	\$1,063,134,000	\$1,063,134,000	\$1,068,832,503	\$1,058,306,000	(\$4,828,000)	\$1,065,793,000	\$2,659,000

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FY 2020 General Revenue Surplus (Pre-closing/Pre-audit)



Category of General Revenues	Prior Year	FY 2020					\$ change from		% change from
	FY 2019	Q1		Q2	Q3	Q4 Preliminary	from		from
	Year-End	Adopted	Revised	Revised	Revised	Unaudited	Adopted	Adopted	Adopted
Real Property Taxes	\$662,834,584	\$694,102,000	\$694,102,000	\$694,387,503	\$696,675,000	\$699,555,672	\$5,453,672		0.79%
Personal Property Taxes	197,558,029	207,180,000	207,180,000	211,880,000	213,070,000	212,518,228	5,338,228		2.58%
Sales Tax	68,699,741	68,176,000	68,176,000	71,448,000	66,800,000	70,300,000	2,124,000		3.12%
Consumer Utility Tax	14,443,344	14,590,000	14,590,000	14,590,000	14,590,000	13,866,097	(723,903)		-4.96%
Communications Tax	15,289,789	15,500,000	15,500,000	14,900,000	14,900,000	14,910,440	(589,560)		-3.80%
BPOL Tax	26,945,229	28,000,000	28,000,000	27,600,000	26,615,000	28,236,279	236,279		0.84%
Investment Income	11,893,648	13,940,000	13,940,000	11,200,000	11,200,000	11,180,034	(2,759,966)		-19.80%
All Other	22,433,190	21,646,000	21,646,000	22,827,000	21,943,000	23,072,893	1,426,893		6.59%
Total General Revenues	\$1,020,097,554	\$1,063,134,000	\$1,063,134,000	\$1,068,832,503	\$1,065,793,000	\$1,073,639,643	\$10,505,643		0.99%



\$10.5 M Projected
General Revenue
Surplus



99% Accuracy in
General Revenue
Forecast

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Economic Update

Economy At-A-Glance

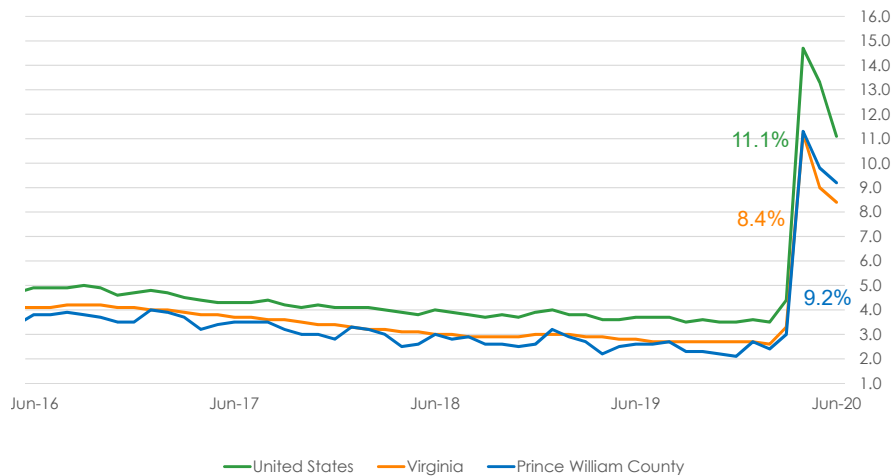


Indicator	Current	Prior	Explanation	Trend
CPI (Consumer Price Index)	1.0% (July 2020)	1.6% (July 2019)	Reflects changes in the purchasing power per unit of money (inflation/deflation)	Yellow circle
GDP (Gross Domestic Product)	-31.7% (Q2 2020)	2.1% (Q2 2019)	Indicator of the overall health of the U.S. economy	Red circle
Stock Market				
S&P 500 Index	3,500.31 8/31/2020	2,926.46 8/31/2019	Indicator of the overall health of the stock market. Measures the stock performance of 500 large scale U.S. companies	Yellow circle
Dow Jones Industrial Average Index	28,430.05 8/31/2020	26,403.28 8/31/2019	Indicator of the overall health of the stock market. Measures the stock performance of 30 large scale U.S. companies	Yellow circle
Federal Funds Rate	0.08% (08/31/20)	2.13% (8/3/2019)	Target rate set by the Federal Reserve's Open Market Committee (FOMC) Establishes baseline lending rates and short term rates of return	Red circle
Unemployment Rate^o				
National	8.4% (Aug 2020)	3.7% (Aug 2019)	Indicator of overall health of the U.S. job market Seasonally adjusted	Red circle
State	8.0% (July 2020)	2.7% (July 2019)	Indicator of overall health of the VA job market Seasonally adjusted	Red circle
Region	8.0% (July 2020)	3.3% (July 2019)	Indicator of overall health of the Washington Metropolitan area job market Not seasonally adjusted	Red circle
Prince William County	8.6% (July 2020)	2.6% (July 2019)	Indicator of overall health of the PWC job market Not seasonally adjusted	Red circle

^o Bureau of Labor Statistics

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Rebound in Employment



Source: U.S. Bureau of Labor Statistics

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Economy At-A-Glance (cont'd)



Indicator	Current	Prior	Explanation	Trend
National Retail Sales	1.20%	0.60%	Indicator of relative health of U.S. economy Not seasonally adjusted	●
	(July 2020)	(July 2019)	MOM (month-over-month)	
Employment Establishments				
State	282,924 +1.3%	279,269	Indicator of overall health of VA economy, businesses & job market	●
	(Q1 2020)	(Q1 2019)		
Region (Washington - Alexandria - Arlington)	92,235 +1.21%	91,133	Indicator of overall health of NoVa economy, businesses & job market	●
	(Q1 2020)	(Q1 2019)		
Prince William County	9,653 +1.92%	9,471	Indicator of overall health of PWC economy, businesses & job market	●
	(Q1 2020)	(Q1 2019)	YOY (year-over-year)	
Sales Tax Growth				
State	+5.4%	+4.0%	Indicator of overall health of VA economy	●
	(May 2020)	(May 2019)	FYTD (fiscal year-to-date)	
Prince William County	+8.5%	+2.2%	Indicator of relative health of PWC economy	●
	(Aug 2020)	(Aug 2019)	FYTD (fiscal year-to-date)	
State Revenue Collections	+2.0%	+7.9%	Indicator of relative health of VA economy	●
	(June 2020)	(June 2019)		
National Automobile Sales	15.19 M -10.6%	16.99 M	Indicator of consumer demand for new vehicle purchases Seasonally Adjusted at Annual Rates	●
	(Aug 2020)	(Aug 2019)		
Commercial Vacancy Rates	5.8%	5.5%	Indicator of overall health of PWC businesses and commercial market	●
	(Q2 2020)	(Q2 2019)		

© Bureau of Labor Statistics

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Real Estate Market At-A-Glance



Indicator	Current	Prior	Explanation	Trend
Average Sales Price (MRIS)	\$453,569 (+10.73%) (July 2020)	\$409,616 (July 2019)	Indicator of relative health of the housing market YOY (year-over-year)	●
# of Homes Sold	906 (+16.5%) (July 2020)	778 (July 2019)	Indicator of relative health of the housing market YOY (year-over-year)	●
Average # of Days on Market	16 (-27.27%) (July 2020)	22 (July 2019)	Indicator of relative health of the housing market YOY (year-over-year)	●
# of Occupancy Permits Issued	1,171 (-12.9%) (CY 2019)	1,344 (CY 2018)	Indicator of relative health of the housing market YOY (year-over-year)	●
# of Building Permits Issued	1,177 (-3.2%) (CY 2019)	1,216 (CY 2018)	Indicator of relative health of the housing market YOY (year-over-year)	●
Ratio of Homes on the Market to Homes Sold	0.45 (-66%) (July 2020)	1.34 (July 2019)	Indicator of relative health of the housing market	●

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FY 21-25 Outlook

Revenue Forecasting Process:

Aim to Hit the "Bulls Eye"



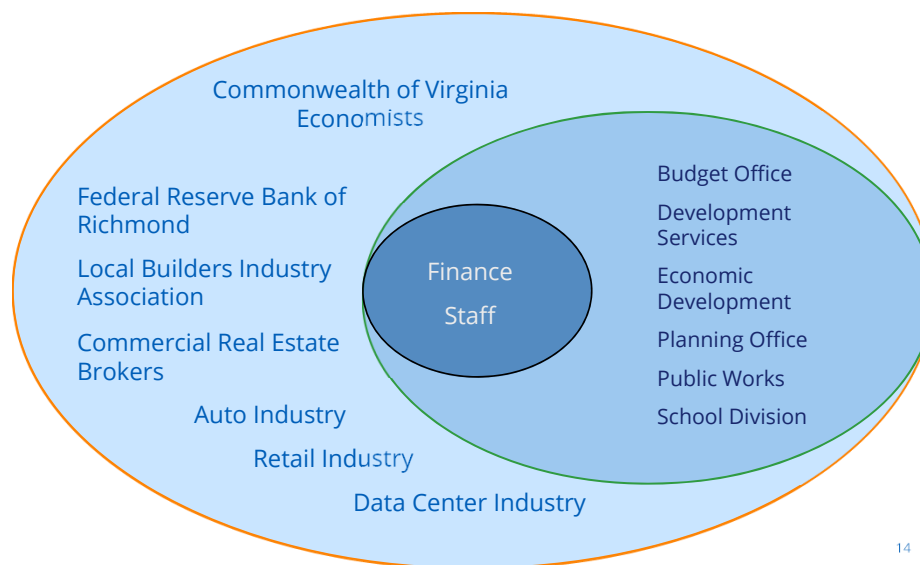
- Identify Major Revenue Sources
- Ongoing Analysis of U.S., State, Regional, and Local Trends
- Reliance on Internal and External Partners (Subject Matter Experts)
- Develop Projections
 - Data driven
 - Conservative assumptions
- Monitor Trends and Update Projections Accordingly

Fiscal Year	Accuracy
2019	99.4%
2018	98.9%
2017	98.2%
2016	98.6%
2015	99.6%
2014	99.3%
2013	99.7%
2012	99.7%
2011	98.6%
2010	99.1%

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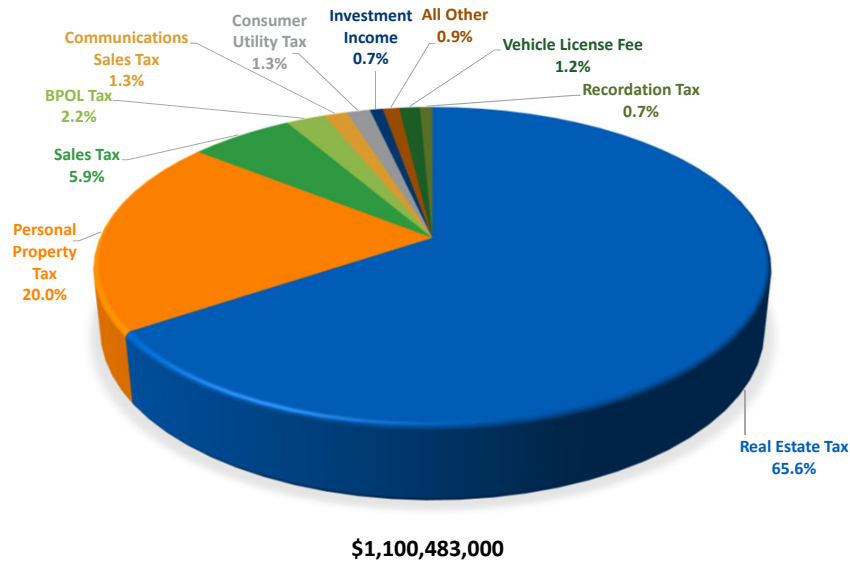
Revenue Forecast

Internal and External Partners



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FY 2021 Adopted General Revenue Sources



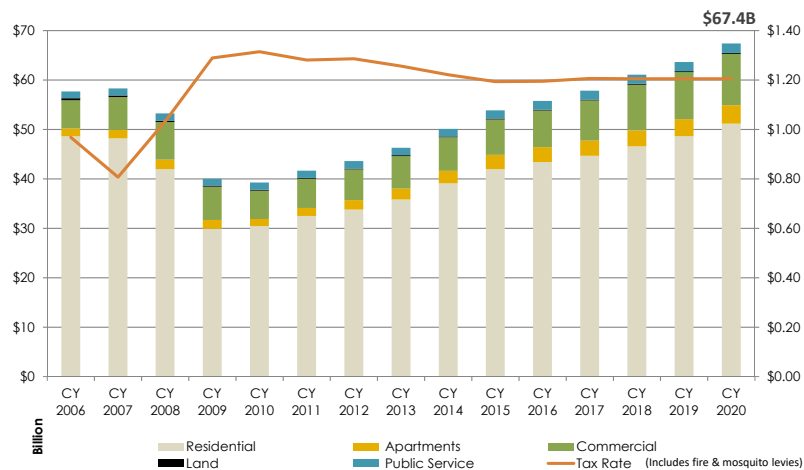
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Growing Land Book Values

Real Estate Tax Base Continues to Experience Growth



Assessed Value Approaching \$70 Billion (62% Increase in Value Since 2010)

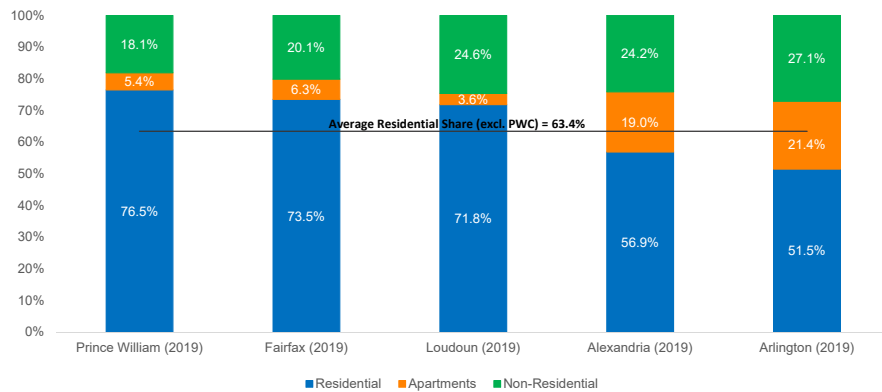


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Land Book Composition Comparison



Taxable Assessed Value of Real Estate, Residential vs. Non-Residential

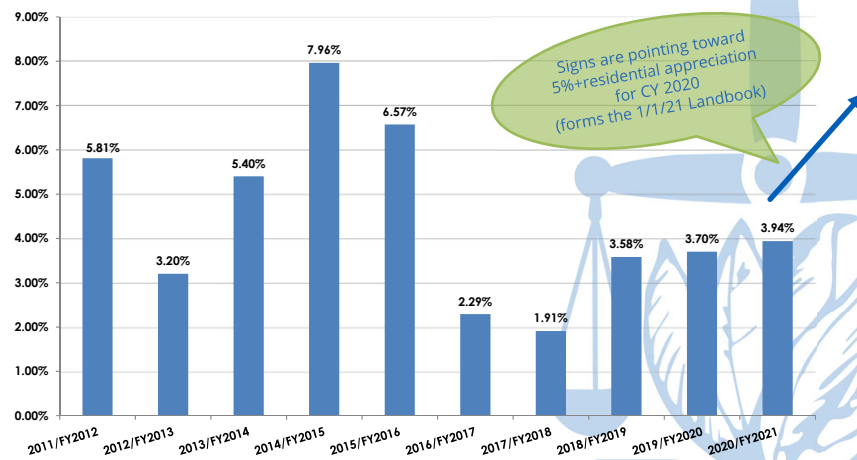


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Residential Appreciation

Steady, Strong Expansion Since 2011

Average Annual Percent Change in Assessment Valuations (Y-O-Y)

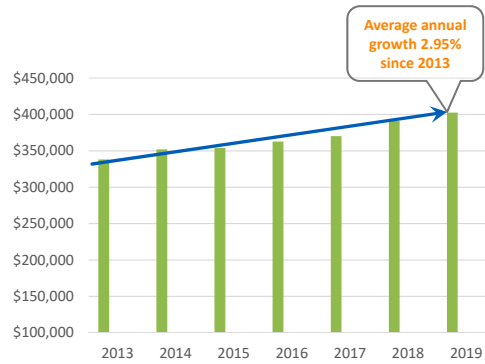


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Average Home Sold Price



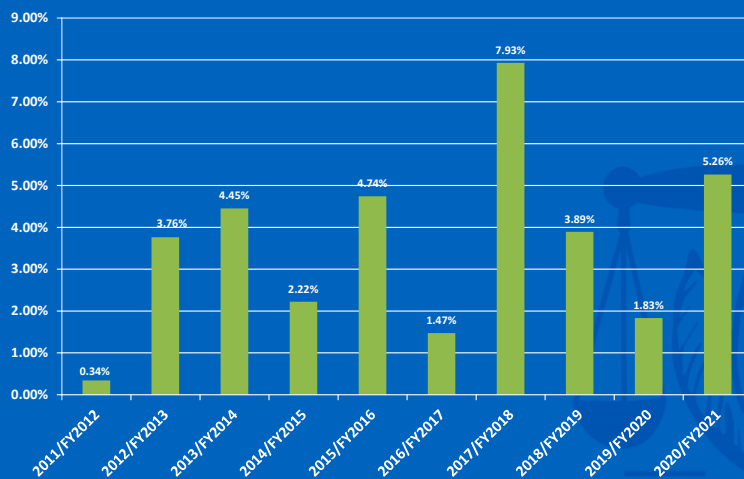
- Average assessment of existing residential increased 3.94% from 2019 to 2020
- Average price of home sold in July 2020: \$453,569; increase of **10.7%** from July 2019
- Average days on market in July 2020: 16; compared to 22 in July 2019



Prince William County Average Home Sold Price 2013-2019

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Commercial Appreciation



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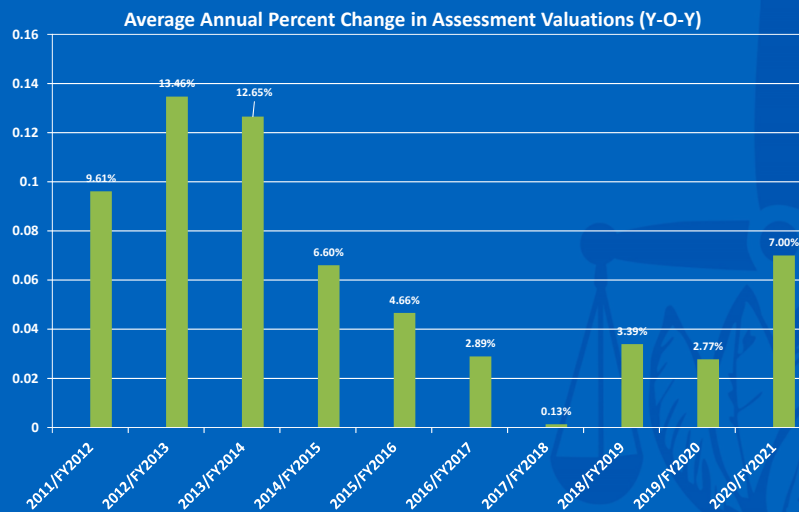
Commercial Market



- Overall commercial direct vacancy rate of 5.8% (office, flex, industrial, and retail) – June 2020
- County vacancy rate is lower than the Northern Virginia direct vacancy rate of 10.0%
- Since 2015, approximately 3.29 million square feet of commercial space has been added to inventory; growth rate of 1.43%
- In the past decade, additional value of commercial and industrial permits has averaged \$372 million per year; total \$3.72 billion new value

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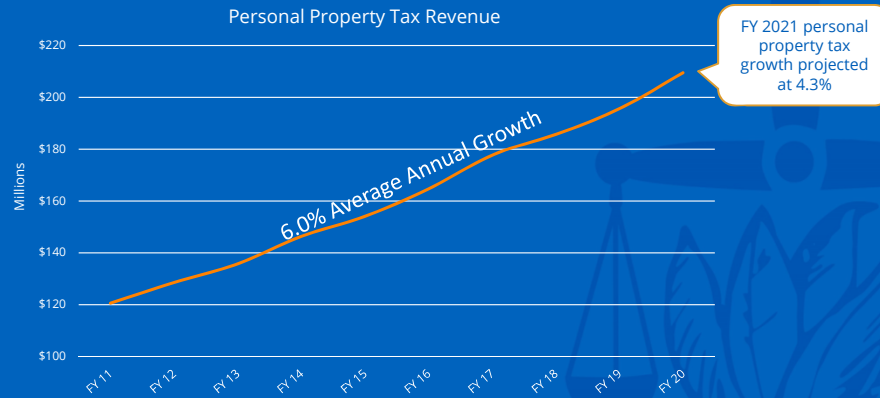
Apartment Appreciation



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Personal Property Tax Revenues

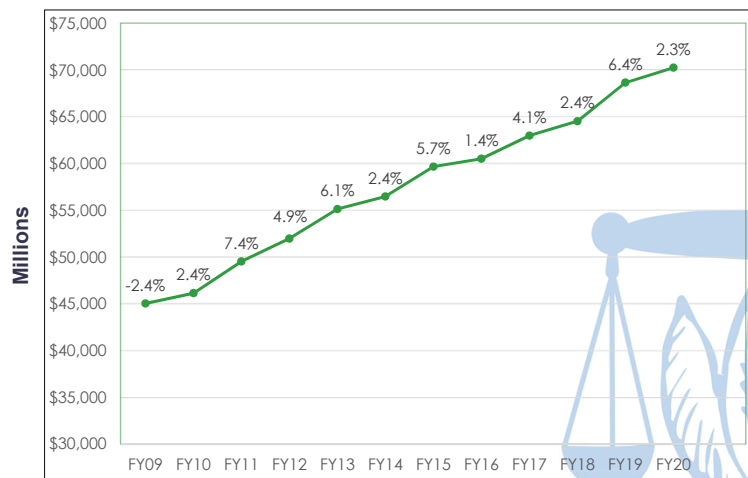
6.0% Average Annual Growth



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Sales Tax Growth

Revenues Were Continuing at a Strong Pace

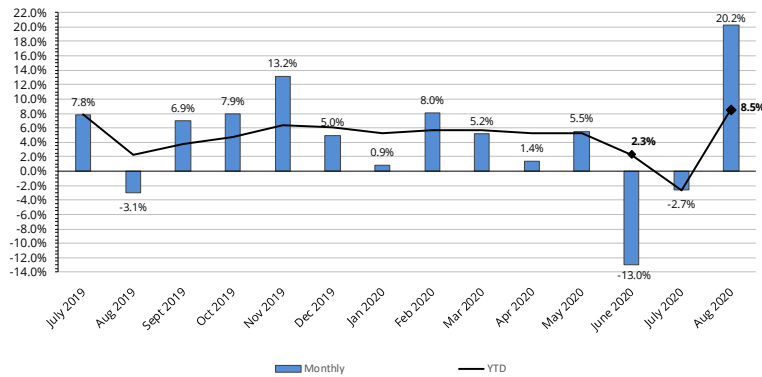


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COVID-19 Impact on Sales



Year-over-Year Growth in Sales Tax Collections
FY20 & FY21



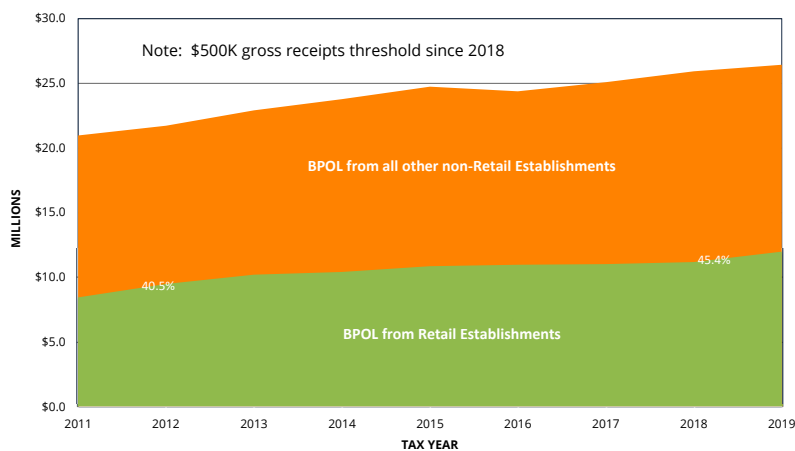
- FY 2020 growth of 2.3% through June 2020
- June reflects April sales: Stay-at-home orders, business mandated closings
- August reflects June sales: Businesses reopen; increased remote sales and a shift to sales in home centers/home improvements

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Steady BPOL Revenue Growth 2.9% Average Since 2010

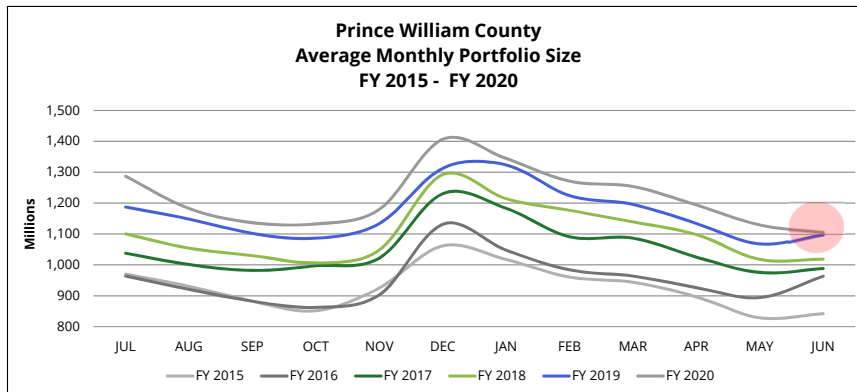


BPOL Revenue Growth



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Investment Income



- Targeted cash and cash equivalents balance increased to \$445.8 million in June
- Investment earnings will be constrained
 - Low interest rate environment
 - Movement of tax due date and increase in unpaid taxes

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Return to Growth Expectation

- Expectation for FY 2021 & FY 2022 to be challenging years
- County will continue to benefit from federal government spending
- IT Sector remains strong in the region; continued multi-million \$ capital investment by data centers
- Residential sector remains strong; components of commercial sector may decline
- County remains agile to adjust spending as needed
 - Hiring freeze/curtailment of discretionary spending
 - Compensation adjustment removed from FY 2021 budget
 - FY 2022 budget will be balanced

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FY 21-25 Preliminary Estimate of General Revenue



	FY 2021 Adopted	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast
Real Estate Tax Rate:	\$ 1.125	\$ 1.125	\$ 1.125	\$ 1.125	\$ 1.125
Real Estate Taxes	\$ 722,729,000	\$ 749,592,000	\$ 779,878,000	\$ 809,368,000	\$ 842,924,000
Personal Property Taxes	\$ 220,440,000	\$ 229,490,000	\$ 240,728,762	\$ 251,448,762	\$ 262,578,762
Sales Tax	\$ 65,130,000	\$ 67,084,000	\$ 69,097,000	\$ 71,170,000	\$ 73,305,000
Consumer Utility Tax	\$ 14,700,000	\$ 13,820,000	\$ 13,820,000	\$ 13,820,000	\$ 13,820,000
Communications Sales and Use Tax	\$ 14,530,000	\$ 14,180,000	\$ 13,830,000	\$ 13,480,000	\$ 13,140,000
BPOL Tax	\$ 24,375,000	\$ 22,375,000	\$ 23,000,000	\$ 23,690,000	\$ 24,400,700
Investment Income	\$ 8,050,000	\$ 6,880,000	\$ 8,570,000	\$ 10,690,000	\$ 12,300,000
All Other	\$ 31,001,000	\$ 32,138,701	\$ 32,865,000	\$ 33,543,000	\$ 34,220,000
Total General Revenue	\$ 1,100,955,000	\$ 1,135,559,701	\$ 1,181,788,762	\$ 1,227,209,762	\$ 1,276,688,462
Change in Revenue Over Prior Year	1.80%	3.14%	4.07%	3.84%	4.03%
School Portion	\$ 625,612,607	\$ 645,130,727	\$ 671,490,327	\$ 697,387,475	\$ 725,606,844
County Portion	\$ 469,552,394	\$ 484,268,974	\$ 504,008,435	\$ 523,412,287	\$ 544,541,618
Transportation Fund	\$ 5,790,000	\$ 6,160,000	\$ 6,290,000	\$ 6,410,000	\$ 6,540,000
Total General Revenue	\$ 1,100,955,000	\$ 1,135,559,701	\$ 1,181,788,762	\$ 1,227,209,762	\$ 1,276,688,462

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Future Revenue Flexibility

- Governor signed legislation that gives Counties equal taxing authority as Cities
 - Meals Tax
 - Admissions Tax
 - Cigarette Tax
 - Plastic Bag Tax
- Commercial & Industrial Tax
- Business Tangible Tax on Computer & Peripherals

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Questions?

Michelle L. Attreed,
CPA, MPA, CGMA
Director of Finance/CFO



PRINCE WILLIAM
COUNTY

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