



**PRINCE WILLIAM**  
COUNTY

# Revenue & Expenditures **REPORT**



3rd Quarter  
**FY 2023**

Published 05/15/2023

# PRINCE WILLIAM COUNTY

## 3<sup>rd</sup> Quarter FY 2023 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 revised FY 2023 Adopted Budget estimates general revenues to be \$1.277 billion, a \$28.2 million increase over the original adopted budget of \$1.25 billion. This reflects post-budget-adoption actions taken by the Board of County Supervisors in August 2022 by Resolution No. 22-391 and in December 2022 by Resolution No.22-584.

General Revenue Sources	Prior Year FY 2022	Current Year FY 2023					
	Year-End	Adopted Forecast	Q1 Revised	Q2 Revised	Q3 Revised	\$ Change Q3/Adopted	% Change Q3/Adopted
Real Property Tax	\$779,557,813	\$811,330,000	\$811,330,000	\$811,330,000	\$799,259,000	(\$12,071,000)	-1.49%
Personal Property Tax	255,618,918	248,900,000	248,900,000	248,900,000	278,340,000	29,440,000	11.83%
Motor Vehicle License Tax	12,813,864	12,000,000	12,000,000	12,000,000	12,274,000	274,000	2.28%
Local Sales Tax	88,000,334	91,000,000	91,000,000	91,000,000	94,000,000	3,000,000	3.30%
Food and Beverage Tax		30,000,000	30,000,000	30,000,000	35,000,000	5,000,000	16.67%
Consumer Utility Tax	15,278,138	13,675,000	13,675,000	13,675,000	13,675,000	0	0.00%
Communications Sales and Use Tax	12,347,160	12,680,000	12,680,000	12,680,000	12,680,000	0	0.00%
BPOL Tax	32,910,130	29,000,000	29,000,000	29,000,000	29,000,000	0	0.00%
Investment Income	7,638,016	12,000,000	12,000,000	12,000,000	20,000,000	8,000,000	66.67%
All Other Revenue	16,903,868	17,133,000	17,133,000	17,133,000	17,476,950	343,950	2.01%
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 1,221,068,242</b>	<b>\$1,277,718,000</b>	<b>\$ 1,277,718,000</b>	<b>\$ 1,277,718,000</b>	<b>\$ 1,311,704,950</b>	<b>\$ 33,986,950</b>	<b>2.7%</b>

**Notes:**

- On August 2, 2022, the Board of County Supervisors approved via Resolution No. 22-391 to budget and appropriate an additional \$12,500,000 million of General Revenues by eliminating the Grocery Tax Repeal provision included in the adopted budget.
- On December 13, 2022, the Board of County Supervisors approved via Resolution No. 22-584 to budget and appropriate \$15,650,000 of the projected FY 23 General Revenue surplus to authorize amendments to the Police Pay Plan in accordance with the County's Adopted Comp Policy, ADC Gap Pay and hiring bonuses.

As of the third quarter, general revenues are expected to produce a surplus of \$34.0 million from the revised adopted FY 2023 budget by June 30, 2023.

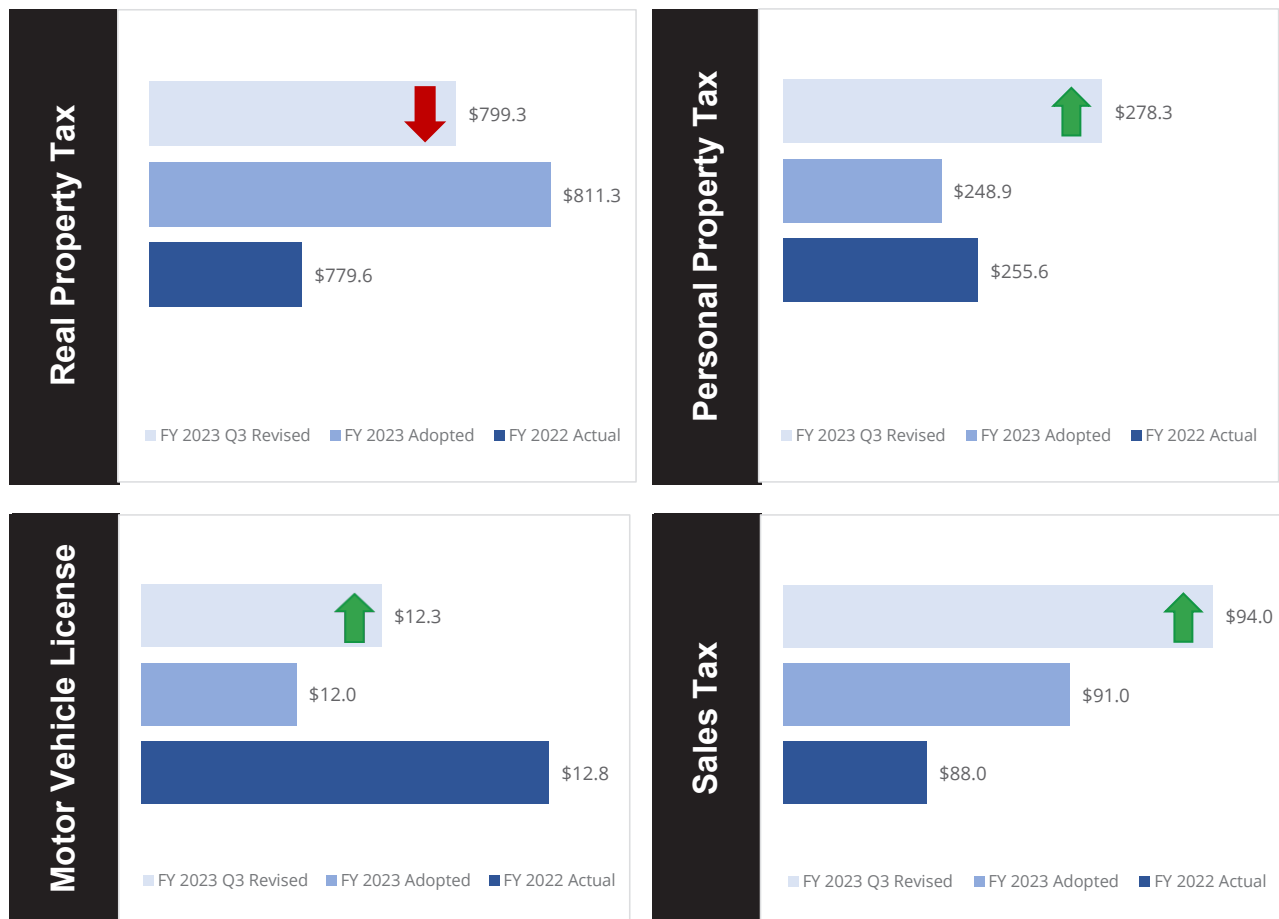
# Revenues At-A-Glance

Variances from the FY 2023 Revised Adopted Budget are as follows:

**Real Property Tax** revenue is on course to meet the FY 2023 forecast on a gross tax receipt basis. However, the revised net property tax projection is \$799.3 million, a shortfall of \$12 million versus the adopted forecast of \$811.3 million. Real estate tax relief, exonerations and lawsuit reserves are key components that influence net property tax collected.

**Personal Property Tax** revenue for FY 2023 is expected to exceed the adopted forecast of \$248.9 million by approximately \$29.4 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, elevated prices for new and used vehicles at the time of assessment have also contributed to the expected surplus. The economic impacts of the COVID-19 pandemic led the Prince William Board of County Supervisors to adjust the fair market value assessment ratio to offset the situationally inflated appreciation of vehicles, providing temporary relief to residents. The 2022 personal property tax assessment of vehicles utilized an 80% ratio against the assessed value according to the National Automobile Dealers Association (NADA) pricing guide, deemed to be more reflective of true fair market value.

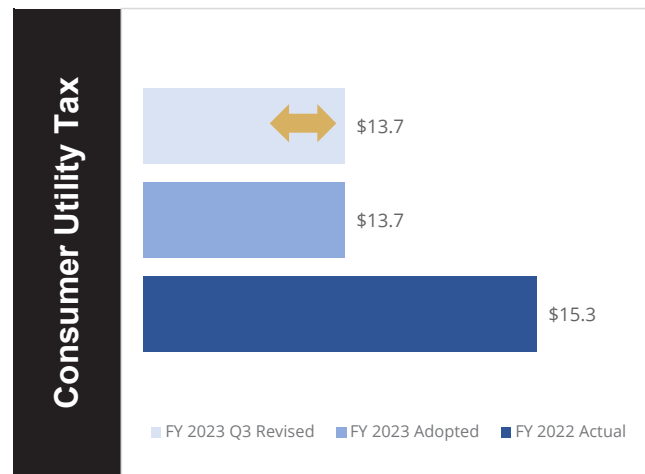
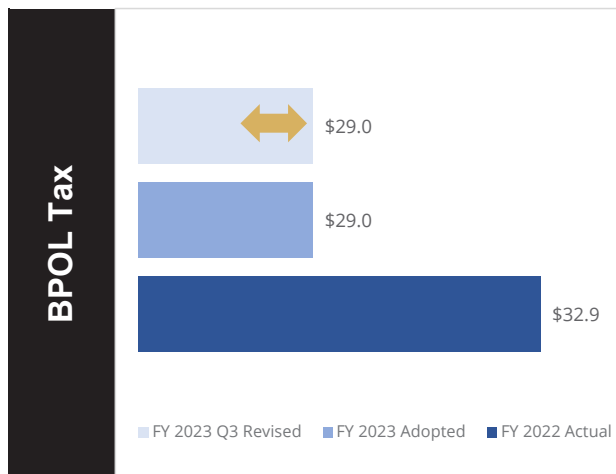
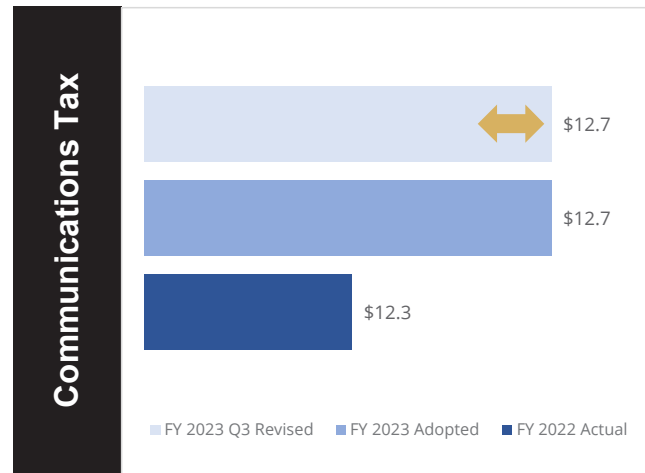
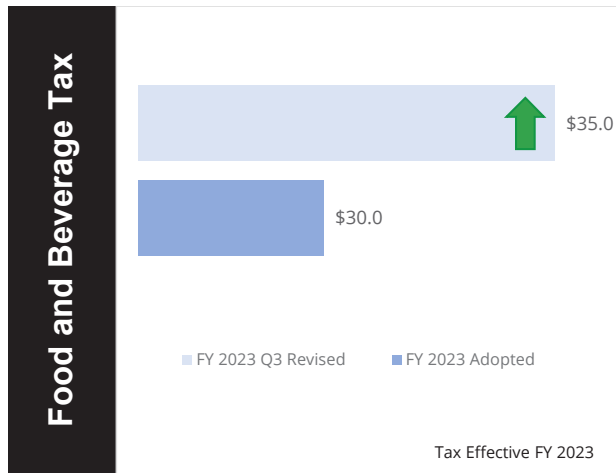
**Motor Vehicle License Tax** is expected to generate a surplus of \$274 thousand. Though the revised projection of \$12.3 million represents an increase over the adopted forecast, revenue collected is slightly below FY 2022 actual receipts of \$12.8 million. The primary driver of the year-over-year revenue decline is a net outflow of automobiles, trucks, and heavy trucks of approximately 0.4%.



Dollar amounts expressed in millions

*Local Sales Tax* received and recorded through the third quarter is \$72.0 million, placing this revenue stream on track to generate collections of approximately \$94.0 million. While consumer demand within the goods sector has begun to soften, staff is of the opinion the current presence of relatively consistent spending behavior, underpinned by existing strength within the regional labor market, is supportive of raising the FY 2023 sales tax projection.

*Food and Beverage Tax* received and recorded through the third quarter is \$25.7 million, placing this revenue stream on track to generate collections of approximately \$38.5 million. The backdrop propelling collections is akin to Local Sales Tax – consistent spending behavior sustained by existing strength within the regional labor market. Staff is of the opinion the dynamics driving receipts are supportive of raising the FY 2023 Food and Beverage tax projection to \$35.0 million.

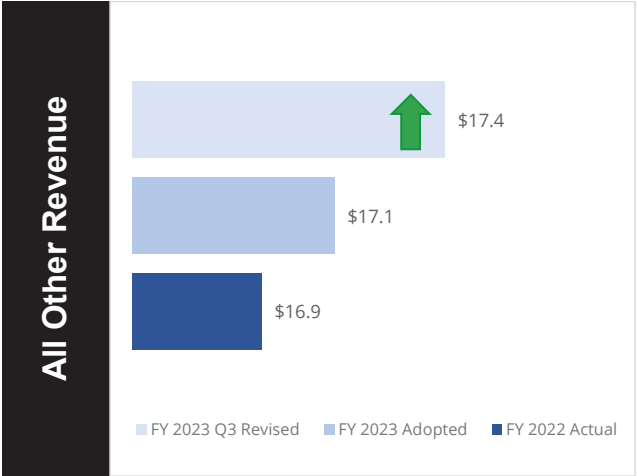


Dollar amounts expressed in millions



*Investment Income* received and recorded through the third quarter is \$16.5 million. While inflation is poised to ease further and economic growth has begun to cool, price pressures will not necessarily follow a precipitous decline given the current strength of the labor market. The preceding condition, combined with the Federal Reserve's prioritization of price stability to reestablish its 2.0% price target, should sustain the Federal Funds rate at 5.0% leading into the end of FY 2023. The presence of this scenario would fortify current returns on cash/cash equivalent investments, which has been the primary driver of investment income throughout the current fiscal year. Staff is of the opinion the backdrop in place driving investment income earnings supports an upward forecast revision to \$20 million.

*All Other Revenue* received and recorded is on course to meet the revised forecast of \$17.4 million, producing an expected surplus of \$344 thousand. Tax on Deeds has been revised down to \$2.2 million from the adopted forecast of \$3.4 million to account for housing market activity that has softened during fiscal 2023. Year-over-year, units sold were down 33.7%, while the dollar value of homes sold remained flat. Based on the collection trajectory of receipts, Bank Franchise Tax has been revised to \$2.8 million from \$2.0 million and Consumption Tax has been revised to \$2.0 million from \$1.4 million.



Dollar amounts expressed in millions

# Looking Ahead

## Economy At-A-Glance

Indicator	Prior <sup>1</sup> 12/31/2022	Current <sup>1</sup> 03/31/2023	Trend					Notes
<b>General</b>								
Consumer Price Index (CPI)	6.5%	5.0%	●					Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	2.9%	1.1%			●			Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	4.33%	4.83%			●			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	3,853	4,109			●			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	3.5%	3.5%			●			Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	3.1% (R)	3.2% (P)			●			Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.4% (R)	2.7% (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	\$1,294	\$1,334		●				Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	\$1,316	\$1,380		●				Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	\$1,096	\$1,218		●				Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
<b>Employment Establishments <sup>3</sup></b>								
Virginia	320,590	330,128			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	94,958	96,717			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	10,639	10,909			●			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	-1.1%	-1.0%		●				Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	13.2%	8.5%			●			Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	7.6%	6.9%			●			Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	0.8%	0.6%			●			Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
<b>Vehicles</b>								
National Automobile Sales	13.7	15.37 <sup>4</sup>			●			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 Sold Price	\$519,617	\$552,672			●			Reflects the average sold price for a home.
Closed Sales	350	425			●			Reflects the number of closed home sales.
Average Days on Market	30	21			●			Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	1.14	0.88			●			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	301	208			●			Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	115	227			●			Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	4.3%	4.1%			●			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  
<sup>4</sup> Measurement includes April sales. A March report was not produced.  
 (R): Revised



## National, State, and Local Trends

**National** Undeterred by financial system tremors triggered by recent bank failures, the Federal Reserve has continued to demonstrate resolve in its quest to restore price stability. In what has been the most aggressive tightening campaign in four decades, policy makers raised the Federal Funds rate 25 basis points on May 3<sup>rd</sup> to a range of 5.00% - 5.25%, the highest level since 2007. With broader calls by economists for some form of a recession later this year, including Federal Reserve Staff, the nation's central bank faces the daunting task of navigating the U.S. economy through a labyrinth of uncertainty in the months ahead. Recent labor market data and banking sector stress, in part, illustrate the dilemma faced by the Federal Reserve. Despite clear signs of cooling, albeit slowly, the labor market continues to underpin core inflation at a level twice the 2.0% objective often cited by policy makers. Concurrently, the potential for financial system instability spawning a deeper economic downturn cannot be dismissed if the flow of credit, which had been contracting prior to turmoil in the banking sector, faces a more profound disruption amid the Federal Reserve's present monetary policy stance of higher rates for a prolonged period of time. During Jerome Powell's press conference following the Federal Open Market Committee's May 3<sup>rd</sup> meeting, the Federal Reserve Chair did not confirm there would be a pause in future rate hikes but did indicate rates were close to, or at, a level that may be adequate to restrict economic growth. Powell warned, though, it would be premature to declare interest rates sufficiently restrictive and officials will need to see additional data before a final judgement is rendered. Notwithstanding Chair Powell's assertions, given the removal of a key clause - "the committee anticipates that some additional policy firming may be appropriate" - from the post-meeting statement combined with the fallout from tighter lending standards, slowing economic growth and financial system stability concerns, a reasonable conclusion can be made the Federal Reserve will pause to assess the cumulative impact of interest rate increases that have risen five percentage points in only fourteen months.

While the need for interest rates to remain higher for longer to bring inflation under control has been a theme Federal Reserve officials have leaned into for months, the bond market's outlook contrasts sharply with that premise. Current pricing of the Federal Funds rate leading into the end of 2023 indicates the bond market believes headwinds facing the U.S. economy will warrant interest cuts of approximately 75 basis points. Though market pricing certainly does not equate to future expectations, the extreme divide between markets and the Federal Reserve introduces intermediate term volatility that will challenge how investors position risk against an economic and interest rate environment cast in uncertainty.

**Consumer Price Index (CPI)** Inflation continued to recede throughout the quarter, primarily driven by declining energy prices. Gasoline prices remained steady during March while falling natural gas prices granted a measure of relief for household utility bills. Carrying an index weight equal to roughly one-third of overall CPI, rental housing costs are anticipated to place downward pressure on inflation over the next several months. But recently announced OPEC+ oil production cuts and persistent services sector inflation introduces upside risks to the outlook in the near-term if labor market hiring remains firm. Headline CPI for March rose 0.1% versus a 0.4% gain in February. Measured year-over-year, inflation rose 5.0%, compared to February's rate of 6.0%. Core inflation, which excludes food and energy and is scrutinized to assess signs of progress, increased 0.4% compared to 0.5% in February, while on a year-over-year basis core CPI for March was 5.6% versus 5.5% the previous month. Core goods prices edged higher in March to 0.2% compared to 0.0% in February and were propelled by an increase in new car prices of 0.4% and medical care commodities of 0.6%. Used car and truck prices partially offset the overall increase in core goods, falling -0.9% in March. Year-over-year, used-vehicles have fallen -11.2% while new-vehicle prices have risen 6.1%. Core services prices rose 0.4% in March, down slightly from 0.5% the prior month. Services prices were driven primarily by the shelter category (includes rental housing costs), rising 0.6% but down modestly from 0.8% in February. Excluding housing, Bloomberg Economics estimates core services prices have remained elevated at 5.8% from one year prior, suggesting further labor market cooling will be necessary to bring inflationary pressure under control.

**Gross Domestic Product (GDP)** Signs of slowing economic activity for a second consecutive quarter is precisely the intended consequence policy makers are seeking to achieve to align inflation with the Federal Reserve's 2.0% annual target. Whether the Fed's long-run inflation objective is met remains uncertain. But, without question, twelve months of aggressive interest rate increases are filtering through to the broader economy. According to the "advance" estimate, the U.S. economy grew at a 1.1% annualized pace during the quarter, lower than the consensus estimate of 1.9% and below the prior quarter's mark of 2.6%. A decline in inventories represented the primary drag on overall economic growth, subtracting 2.3 percentage points from GDP. A decrease in wholesale trade (machinery, equipment, and supplies) and manufacturing (transportation equipment and petroleum and coal products) were the primary drivers, offsetting a positive contribution from federal, state, and local government spending. Residential investment declined as well, albeit at a pace significantly slower than the prior three quarters, falling -4.2%. While the result suggests the housing market may be stabilizing, existing home sales, which generally represent the majority of housing market activity, fell in March. Clearly, affordability remains a challenge even though mortgage rates have come down since peaking in late 2022. Despite momentum waning near the end of the quarter, consumer spending managed to grow at a firm pace of 3.7%, an addition of 2.5 percentage points to GDP. Spending on services, a critical gauge of inflationary pressure at this stage, posted a healthy gain of 2.3%. Conversely, according to Bloomberg Economics "the implied monthly pace in nominal terms for March (assuming no revisions) shows that most of the growth was due to a strong 1.2% boost in January – likely due to unseasonably warm weather – with gains of just 0.2% in February and March. We expect consumer spending to cool ahead."

**Labor Market** Following a vigorous pace of job gains during January and February, a softer March employment report points to the beginning of a cooling trend in the months ahead for the U.S. labor market. Fallout from the recent banking sector disruption and the cumulative impact of interest rate increases over the past year have laid the foundation for the pace of hiring to step-down as economic growth slows during the second half of 2023. Still, current employment growth exceeds Federal Reserve Chairman Powell's recently cited 100,000 per month gain as being consistent with population growth, a scenario that could lead to persistent inflationary pressure in segments of the U.S. economy. Nonfarm payrolls for March increased 236,000 versus 326,000 in February. The unemployment rate fell to 3.5% in March from 3.6% the previous month as job seekers were able to secure employment quickly. Underpinned by a labor force that grew by 480,000, the labor force participation rate rose slightly to 62.6% from 62.5% in February. The participation rate among the prime-age working population was unchanged at 83.1% as higher participation among prime-age men was offset by a participation decline of prime-age women. Participation among workers 55 and over increased to 38.8% from 38.4% while all other groups remained unchanged. Service sector employment remained firm in March, led by leisure and hospitality (72k), education and health services (65k) and business services (39k). Other major industries, including construction, manufacturing, financial activities, and other services, demonstrated little changes in employment during March from the prior month.

**Retail Sales** Strong retail spending in January was followed by a sharp contraction during February and March, calling into question the consumer's ability to support economic growth in the second half of 2023. Though consumers have defied expectations on more than one occasion for a broader pullback in consumption over the past year, the key difference at this point is how the cumulative impact of Federal Reserve interest rate increases could alter spending habits in the months ahead. Retail sales fell -1.0% in March preceded by a -0.7% drop in February. The median estimate in a Bloomberg survey called for a -0.5% decline in March. The March report revealed weakness was widespread. General merchandise and clothing sales fell -3.0% and -1.7%, respectively, while discretionary categories such as electronics (-2.1%) and furniture (-1.2%) decreased for a second consecutive month. Spending on vehicles and parts (-1.6% - considered a key interest rate sensitive category – accounted for approximately one-third of the decline in overall spending. Sales at gasoline stations fell -5.5% in March, while purchases at auto dealers dropped -1.6%, underpinned by a month-over-month decline in vehicle sales of roughly 100 thousand units. Control-group sales, (excludes food services, auto dealers, building-material stores, and gasoline stations) utilized as a barometer for underlying spending trends, declined -0.3% in March versus a 0.5% gain in February. While retail sales are predominantly comprised of goods-based categories, spending on food services, a proxy for discretionary services spending, is included. After a sharp decline of -1.7%



in February, food services posted a modest gain of 0.1%, partially aligning with the Conference Board's consumer confidence survey that indicates "consumers plan to spend less on highly discretionary categories such as playing the lottery, visiting amusement parks, going to the movies, personal lodging, and dining."

**Automobile Industry** The National Automobile Dealers Association (NADA) reported Seasonally Adjusted Annual Rate (SAAR) new light-vehicle sales of 15.4 million units through April, an increase of 8.9% over the same period last year. Consumer demand, rising new-vehicle supply and an increase in new-vehicle incentives collaborated to propel sales growth during April. J.D. Power estimates average incentive spending per unit is projected to total \$1,599 for April, an increase of 58.9% compared to one year prior. While average incentive spending has risen from depressed levels, the increase has not been equal for all Original Equipment Manufacturers (OEMs). OEMs that have been able to increase production have been able to provide better incentives as opposed to those manufactures that still face production challenges. Despite improving inventory levels, lofty new-vehicle prices and financing rates have kept average monthly payments high. Though new-vehicle prices have remained elevated, the trajectory of used-vehicles has followed a different path. As of March, Consumer Price Index data revealed used cars and trucks have fallen 11.2% year-over-year. Total used-vehicle sales in March are expected to be approximately 3.3 million, a decrease of 4.4% from one year prior. In the words of Charlie Chesbrough, senior economist at Cox Automotive - "Sales are holding up fairly well given rising interest rates, but we expect them to see greater headwinds in April and through summer."

**State** The Secretary of Finance's March revenue report noted fiscal year-to-date general fund revenues were tracking above the updated December forecast by \$124.2 million. The Commonwealth's updated forecast encompasses proposed policy changes, including the Governor's proposed tax relief package, and assumes a recession beginning in the second half of 2023. Despite potential economic challenges, the Finance team continues "to have confidence in our forecast, which results in \$3.6 billion in available resources for an amended budget." The Commonwealth indicated the adoption of an amended budget could provide an additional \$1 billion in tax relief. Individual income tax withholding (61% of general fund revenues) and sales tax collections (19% of general fund revenues), the two largest general revenue sources, provided varied results during March. While withholding collections increased 2.8% versus the same month one year prior, sales tax receipts declined -1.9%. Year-to-date, individual income tax withholding and sales tax collections are up 4.4% and 8.5%, respectively, over the same period one year prior. "March's revenue numbers, once again, demonstrate there's plenty of money available to lower costs for families and local businesses. We can also fund those most critical investments in education, safer communities and transforming the way behavioral health care is delivered for Virginians," said Governor Glenn Youngkin. "The silent thief of inflation continues to steal the hard-earned paychecks of Virginia families and I encourage Senate Democrats to come together with House Republican leaders and let's deliver for Virginians together."

Virginia's seasonally adjusted unemployment rate drifted higher over the first three months of 2023, rising to 3.2% in March from 3.0% in December. The Virginia Employment Commission's March report disclosed Virginia's labor force increased by 23,511 workers to 4,528,910, while the number of unemployed residents decreased by 2,430 to 143,447. The number of employed Virginians increased 25,941 to 4,385,463. The Commission reported employment rose during March in six of eleven major categories, led by job gains in Professional and Business Services (3,500), Education and Health Services (2,200) and Government (1,900). The largest number of jobs lost occurred in Trade, Transportation, and Utilities (-1,900), Construction (-1,400) and Finance (-800).

**Local** While Prince William County's unemployment rate increased modestly to 2.7% from 2.4% on a quarter-over-quarter basis, the County's labor market retained a relatively healthy profile over the first three months of 2023. The number of employed residents increased to 7,014, buoyed by a labor force that grew to 259,557 from 251,686. Unemployed residents rose by 857 over the quarter but exhibited a downward trend since the beginning of the year. While the availability of granular data to assess the overall state of the County's job market is limited, a leading indicator that can be utilized to measure labor market conditions are monthly initial claims for unemployment insurance. During the quarter, average initial claims per month rose to 514 versus a per month average of 344 over the previous



quarter. Though average monthly claims have drifted higher since the beginning of the year, evidence of broad-based labor market weakness has yet to emerge.

## 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 2023 and March 2022.

Category	March 2023	March 2022	Increase/(Decrease)
Median Sold Price	\$520,000	\$520,000	0.0%
Units Sold	425	641	-33.7%
Active Listings	372	239	55.7%
Average Days on Market	21	9	133.3%
New Listings	501	860	-41.7%

Recent measurements of housing market activity, such as pending and existing home sales, suggest affordability remains a challenge for many potential buyers despite mortgage rates having drifted lower since peaking in late October/early November. Freddie Mac’s Primary Mortgage Survey indicates the average 30-year fixed rate mortgage stands at 6.43%, approximately the median within a range that reached a high of 6.73% and low of 6.09% over the quarter. In a note, Freddie Mac said “with the rate of inflation decelerating rates should gently decline over the course of 2023.” “Incoming data suggest the housing market has stabilized from a sales and house price perspective.” Virginia Realtors current monthly Flash Survey indicated the organization’s Buyer Activity Index decreased to 51 from 56 in February. Approximately 32% of realtors assessed buyer activity in their local market as “high” or “very high”, while roughly 30% rated buyer activity as “low” or “very low”. According to Virginia Realtors, a separate index that measures realtors’ opinions about how the market will be performing three months in the future declined to 52 in March from 61 in February. Approximately 29% of survey participants thought buyer activity over the next three months would be strong in their respective markets versus 39% in February. “Virginia’s spring housing market is off to a slow start, resulting in some downward pressure on price levels; however, the state’s tight level of inventory is keeping prices somewhat insulated in many markets,” said Virginia Realtors Chief Economist Ryan Price.

*Commercial Sector* For the quarter ended March 2023, Costar Realty Group (Costar) reported the County’s commercial inventory included 54.3 million square feet (sq. ft.) of space in 2,204 properties with 2.2 million sq. ft. of vacant space. The vacancy rate was 4.1% compared to 4.3% at the end of the prior quarter. Highlights from Virginia Realtors Q1 2023 statewide commercial real estate report are as follows:

- Office: “The office market in Virginia continues to show signs of contracting, as uncertainty in the economy is giving pause to business expansion decisions.” “Absorption in the office market is off to a slower start than last year in Virginia. Office net absorption is down statewide for the third time in the last four quarters. The sharpest drop in net absorption was in the Northern Virginia market.” “At 12.5%, the statewide office vacancy rate in Q1-2023 was the highest it has been in more than five years. Northern Virginia and Richmond had the most office vacancy this quarter at 16.4% and 8.2%, respectively.”
- Retail: “The retail sector has been growing rapidly for much of the past year and a half as consumers spent heavily on retail goods, services, and entertainment. As inflation has lingered, and interest rates have climbed, consumers are starting to spend less, and retail sales have taken a hit recently. This trend is likely to continue as the labor market weakens.” “Retail vacancy is down from last year, but has been relatively flat in recent quarters.”
- Industrial: “The industrial market continues to lead all commercial real estate market segments in Virginia. Rents are rising rapidly, and vacancy rates are trending down.”

# PRINCE WILLIAM COUNTY

## 3<sup>rd</sup> Quarter FY 2023 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 2023 general fund budget of \$1.47 billion.

- \$715.1 million adopted School transfer, in accordance with the County-Schools revenue sharing agreement.
- \$757.0 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 2023 Budget*** – As of March 31, 2023, the revised County government unrestricted general fund budget, excluding transfers, was \$729.6 million.
3. ***Third Quarter General Fund Expenditures*** – As of March 31, 2022, 74.0% 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,

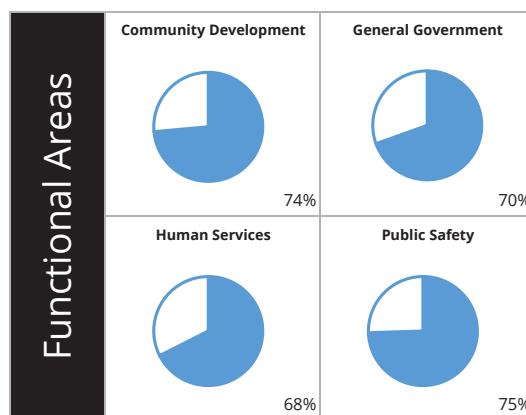
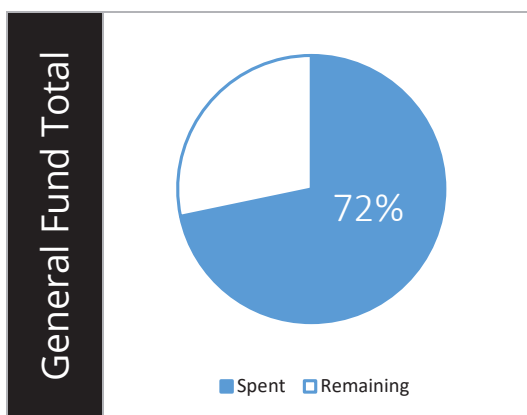
agencies spent 71.7% of the operating expenditure budget. **Current projections indicate 96.5% of the County government’s general fund expenditure budget will be expended by year-end. Projected expenditure savings at the end of the fiscal year are estimated at approximately \$26.0 million.**

Percent of Budget Spent (Including Debt Service & Non-Departmental)	Percent of Budget Spent (Excluding Debt Service & Non-Departmental)
<b>74.0%</b>	<b>71.7%</b>

- 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 excluding Non-Departmental and Debt Service and adjusting for information technology costs billed for the entire fiscal year, agencies spent 70.5% of the operating expenditure budget.

Percent of Budget Spent (Excluding Debt Service, Non-Departmental, & Internal Services)
<b>70.5%</b>

- Retiree Health Benefit** - Retiree health benefit costs of \$3.2 million were charged for the entire fiscal year in the first quarter.
- Agency Revenue Shortfall** – **General fund agency revenue is projected to be \$15.0 million below budget.** The projected agency revenue shortfall occurs in the Human Services functional area due to Social Services special education private day school placements as well as Community Services reimbursements from the Commonwealth. Additionally, court fines received by the General District Court are projected to be \$1.5 million below budget. Lastly, revenue received by the Department of Parks, Recreation, and Tourism (DPRT) is also projected to be \$1.5 million below budget. DPRT revenue has improved each year since the pandemic (there was a \$5.1 million revenue shortfall in FY2021) and revenue is projected to further improve to pre-pandemic levels.
- 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.




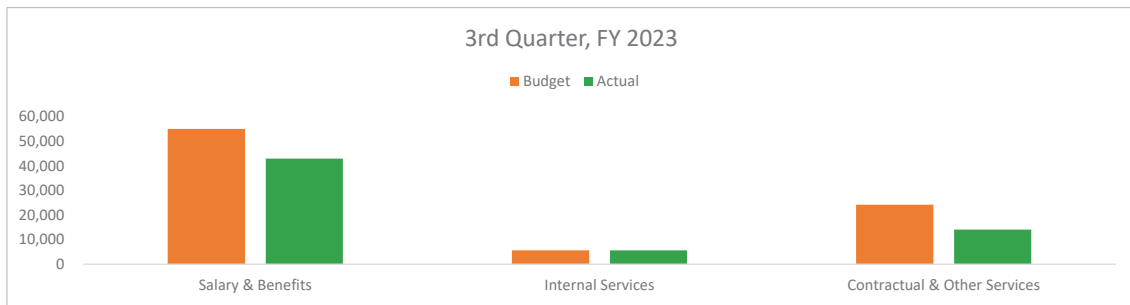
## Community Development Functional Area

(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	55,051.84	42,993.50	
	Internal Services	5,649.88	5,621.33	
	Contractual & Other Services	24,210.22	14,103.25	
	Reserves & Contingencies	(3,857.44)	(3,074.20)	
	<b>81,054.50</b>	<b>59,643.88</b>	<b>73.58%</b>	




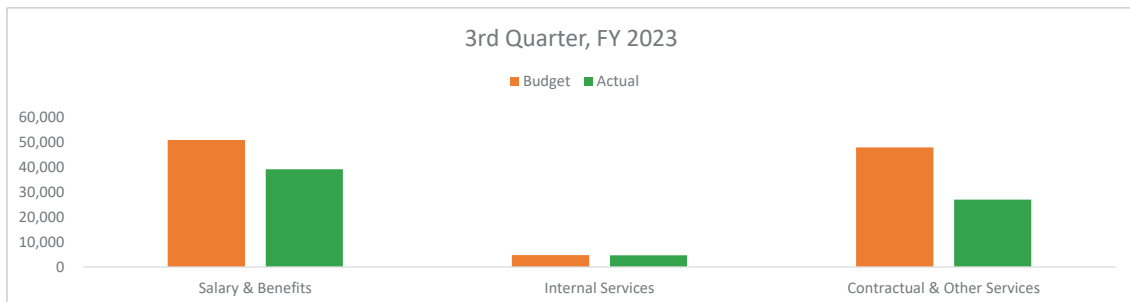
## General Government Functional Area

(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	50,851.03	39,120.11	
	Internal Services	4,718.88	4,668.48	
	Contractual & Other Services	47,880.25	26,940.96	
	Reserves & Contingencies	(4,054.97)	(1,624.23)	
	<b>99,395.19</b>	<b>69,105.32</b>	<b>69.53%</b>	




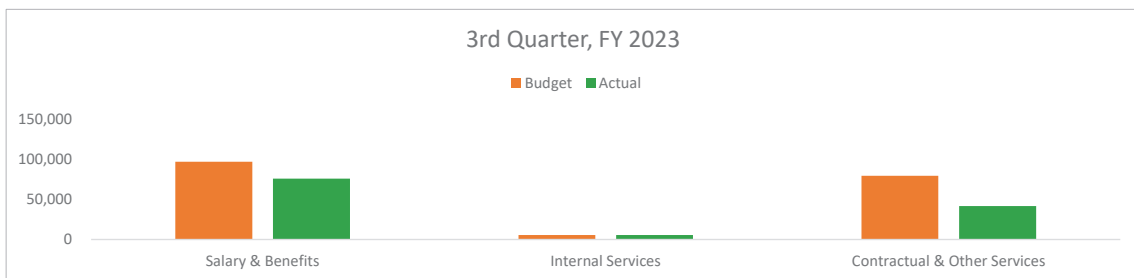
## Human Services Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Human Services</b>	Salary & Benefits	96,913.71	75,706.84	
	Internal Services	5,585.75	5,536.34	
	Contractual & Other Services	79,341.36	41,598.11	
	Reserves & Contingencies	0.00	0.00	
	<b>181,840.82</b>	<b>122,841.28</b>	<b>67.55%</b>	




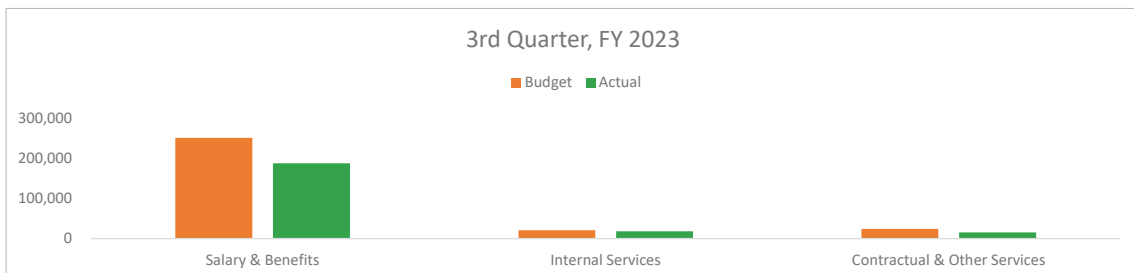
## Public Safety Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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







Functional Area	Spending Category	Budget	Actual	Spent %
<b>Public Safety</b>	Salary & Benefits	250,851.15	187,607.83	
	Internal Services	21,044.65	18,084.78	
	Contractual & Other Services	24,067.30	15,390.11	
	Reserves & Contingencies	649.47	(47.18)	
	<b>296,612.58</b>	<b>221,035.54</b>	<b>74.52%</b>	

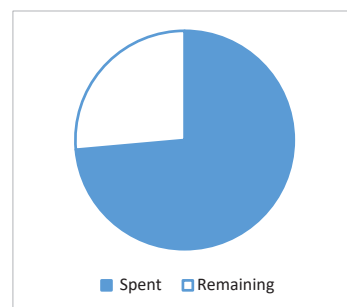
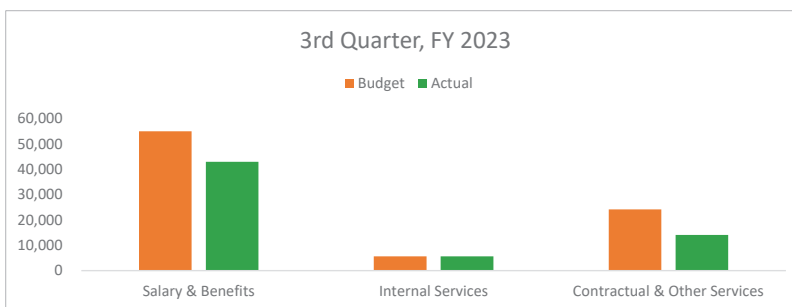




# Community Development Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Economic Development</b>	Salary & Benefits	2,782.09	2,221.84	
	Internal Services	154.39	153.10	
	Contractual & Other Services	2,287.40	986.85	
	Reserves & Contingencies	0.00	0.00	
	<b>5,223.88</b>	<b>3,361.80</b>	<b>64.35%</b>	
<b>Library</b>	Salary & Benefits	16,332.36	12,524.54	
	Internal Services	1,749.99	1,734.34	
	Contractual & Other Services	3,499.65	2,367.69	
	Reserves & Contingencies	0.00	0.00	
	<b>21,581.99</b>	<b>16,626.58</b>	<b>77.04%</b>	
<b>Parks, Recreation &amp; Tourism</b>	Salary & Benefits	26,153.40	20,462.61	
	Internal Services	2,906.95	3,010.88	
	Contractual & Other Services	13,115.94	7,374.70	
	Reserves & Contingencies	(154.00)	(4.53)	
	<b>42,022.29</b>	<b>30,843.65</b>	<b>73.40%</b>	
<b>Planning</b>	Salary & Benefits	1,683.53	1,140.34	
	Internal Services	164.47	158.80	
	Contractual & Other Services	897.38	683.62	
	Reserves & Contingencies	0.00	0.00	
	<b>2,745.38</b>	<b>1,982.77</b>	<b>72.22%</b>	
<b>Public Works</b>	Salary & Benefits	3,551.13	2,710.49	
	Internal Services	326.41	245.16	
	Contractual & Other Services	1,066.46	556.31	
	Reserves & Contingencies	(168.49)	(122.81)	
	<b>4,775.51</b>	<b>3,389.14</b>	<b>70.97%</b>	
<b>Transportation</b>	Salary & Benefits	4,549.32	3,933.67	
	Internal Services	347.69	319.05	
	Contractual & Other Services	3,343.39	2,134.08	
	Reserves & Contingencies	(3,534.95)	(2,946.85)	
	<b>4,705.45</b>	<b>3,439.94</b>	<b>73.11%</b>	












## Notable Variances

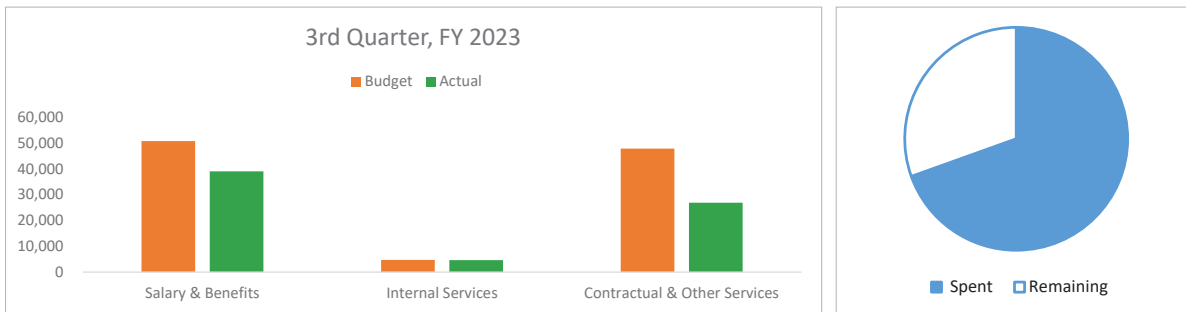
- Economic Development** - Contractual & Other Services has an additional \$0.8 million in encumbrances that are not reflected in actuals. Actuals will increase when these encumbrances are paid later in the fiscal year.
- Public Works** - Adjusting for \$0.2 million in encumbered funds that will be spent in the fourth quarter, 74.4% of the budget has been spent.

# General Government Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Board of County Supervisors</b>	Salary & Benefits	3,238.22	2,448.38	
	Internal Services	371.95	371.70	
	Contractual & Other Services	2,597.49	1,076.42	
	Reserves & Contingencies	0.00	0.00	
	<b>6,207.67</b>	<b>3,896.50</b>	<b>62.77%</b>	
<b>County Attorney</b>	Salary & Benefits	4,696.21	3,314.96	
	Internal Services	292.82	292.18	
	Contractual & Other Services	787.96	30.29	
	Reserves & Contingencies	(176.93)	(95.89)	
	<b>5,600.06</b>	<b>3,541.54</b>	<b>63.24%</b>	
<b>Elections</b>	Salary & Benefits	1,863.32	1,473.08	
	Internal Services	232.43	234.49	
	Contractual & Other Services	1,746.08	915.40	
	Reserves & Contingencies	0.00	0.00	
	<b>3,841.83</b>	<b>2,622.97</b>	<b>68.27%</b>	
<b>Executive Management</b>	Salary & Benefits	4,592.88	3,207.45	
	Internal Services	280.47	267.25	
	Contractual & Other Services	1,163.78	506.34	
	Reserves & Contingencies	0.00	0.00	
	<b>6,037.12</b>	<b>3,981.04</b>	<b>65.94%</b>	
<b>Facilities &amp; Fleet Management</b>	Salary & Benefits	10,682.19	8,430.24	
	Internal Services	1,205.17	1,166.65	
	Contractual & Other Services	34,875.48	19,784.10	
	Reserves & Contingencies	(2,665.29)	(466.71)	
	<b>44,097.55</b>	<b>28,914.29</b>	<b>65.57%</b>	
<b>Finance</b>	Salary & Benefits	19,221.56	15,061.39	
	Internal Services	1,821.91	1,824.56	
	Contractual & Other Services	5,578.12	3,911.11	
	Reserves & Contingencies	(523.31)	(421.43)	
	<b>26,098.29</b>	<b>20,375.64</b>	<b>78.07%</b>	
<b>Human Resources</b>	Salary & Benefits	4,187.54	3,318.94	
	Internal Services	368.24	365.96	
	Contractual & Other Services	981.34	684.10	
	Reserves & Contingencies	(689.46)	(640.20)	
	<b>4,847.66</b>	<b>3,728.80</b>	<b>76.92%</b>	
<b>Human Rights Office</b>	Salary & Benefits	773.62	597.43	
	Internal Services	46.01	46.01	
	Contractual & Other Services	62.70	11.10	
	Reserves & Contingencies	0.00	0.00	
	<b>882.33</b>	<b>654.54</b>	<b>74.18%</b>	
<b>Management &amp; Budget</b>	Salary & Benefits	1,595.49	1,268.23	
	Internal Services	99.88	99.67	
	Contractual & Other Services	87.30	22.09	
	Reserves & Contingencies	0.00	0.00	
	<b>1,782.68</b>	<b>1,389.99</b>	<b>77.97%</b>	

## General Government Functional Area *(Continued)*








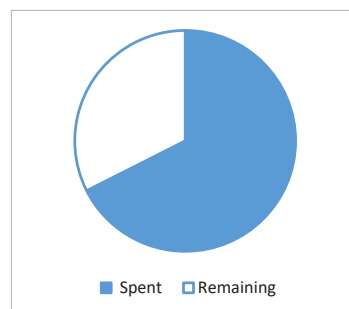
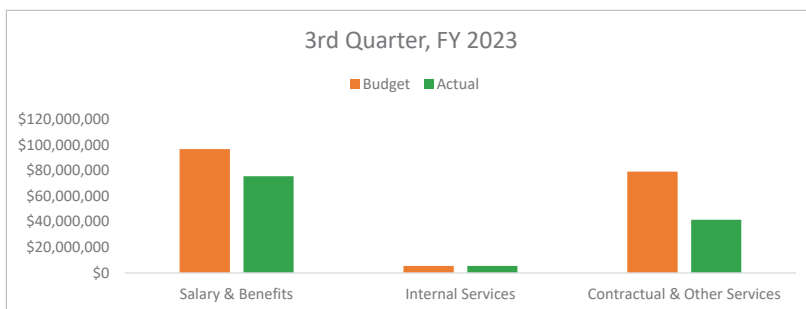
### Notable Variances

- Board of County Supervisors** - Funds of \$0.9 million have been encumbered for Internal Audit services that will be spent in future quarters. These future expenses are not included in current actuals.
- County Attorney** - Contractual & Other Services funding for Collective Bargaining will be encumbered as collective bargaining units are established.
- Elections** - The budget for Contractual & Other Services includes expenses for two elections, the November General and June Primary. The June Primary election expenses will be spent in the fourth quarter.
- Executive Management** - Salary & Benefits savings are due to the County Executive vacancy during the first half of the fiscal year as well as the vacant Communications Director. In addition, Contractual Services encumbrances totaling \$0.3 million will be billed later during the year for services such as developing the Community Energy & Sustainability Master Plan and legislative consulting fees.
- Facilities & Fleet Management** - Funds of \$11.8 million have been encumbered, primarily for property rentals (\$2.5 million), utilities (\$1.7 million), contracts for trash, mailroom security guards, and custodial (\$1.7 million), building repairs and maintenance (\$1.5 million), orders and upfitting of public safety vehicles (\$1.4 million), machinery and equipment (\$1.3 million), and various office supplies and services.

# Human Services Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Aging</b>	Salary & Benefits	3,505.62	3,018.82	
	Internal Services	255.24	249.32	
	Contractual & Other Services	5,646.69	3,759.88	
	Reserves & Contingencies	0.00	0.00	
	<b>9,407.55</b>	<b>7,028.02</b>	<b>74.71%</b>	
<b>Community Services</b>	Salary & Benefits	48,287.24	35,819.10	
	Internal Services	2,517.59	2,508.75	
	Contractual & Other Services	24,029.52	8,364.05	
	Reserves & Contingencies	0.00	0.00	
	<b>74,834.35</b>	<b>46,691.90</b>	<b>62.39%</b>	
<b>Cooperative Extension Service</b>	Salary & Benefits	1,039.55	683.60	
	Internal Services	143.61	143.61	
	Contractual & Other Services	137.89	16.21	
	Reserves & Contingencies	0.00	0.00	
	<b>1,321.06</b>	<b>843.42</b>	<b>63.84%</b>	
<b>Public Health</b>	Salary & Benefits	1,706.80	1,282.92	
	Internal Services	61.01	58.96	
	Contractual & Other Services	3,096.66	3,071.50	
	Reserves & Contingencies	0.00	0.00	
	<b>4,864.47</b>	<b>4,413.37</b>	<b>90.73%</b>	
<b>Social Services</b>	Salary & Benefits	42,374.50	34,902.40	
	Internal Services	2,608.29	2,575.69	
	Contractual & Other Services	46,430.60	26,386.47	
	Reserves & Contingencies	0.00	0.00	
	<b>91,413.39</b>	<b>63,864.56</b>	<b>69.86%</b>	












## Notable Variances

- Community Services** - The department has \$8.1 million in outstanding encumbrances that are not included in the Actual total. The significant encumbrances include funds for contracted services for mental health services.
- Cooperative Extension Service** - Salary & Benefits is underspent because the department has not yet been billed for third quarter salary supplements reimbursement to the State. Contractual & Other Services is underspent because the department received additional grants in the first quarter that will be spent later in the fiscal year.
- Public Health** - Expenditures are elevated due to the FY23 fourth quarter invoice being processed during the third quarter to Virginia Department of Health which included the quarterly local agreement budget support as well as local salary supplement and funding for the mandated Medical Reserve Corps coordinator 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. Additionally, \$1.3 million of the \$2.3 million encumbrances has been encumbered for the purchase of a new case management system.

# Public Safety Functional Area




(Dollar amounts expressed in thousands)

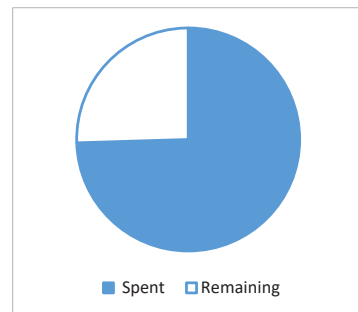
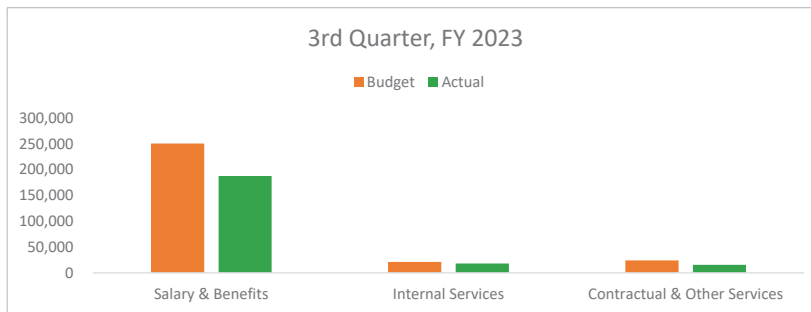
Department	Spending Category	Budget	Actual	Spent %
<b>Circuit Court Clerk</b>	Salary & Benefits	4,517.23	3,294.26	
	Internal Services	255.61	255.21	
	Contractual & Other Services	528.93	287.94	
	Reserves & Contingencies	0.00	0.00	
	<b>5,301.77</b>	<b>3,837.40</b>	<b>72.38%</b>	
<b>Circuit Court Judges</b>	Salary & Benefits	1,577.95	1,185.16	
	Internal Services	79.69	79.69	
	Contractual & Other Services	120.34	73.51	
	Reserves & Contingencies	0.00	0.00	
	<b>1,777.98</b>	<b>1,338.36</b>	<b>75.27%</b>	
<b>Commonwealth Attorney</b>	Salary & Benefits	8,170.85	5,997.44	
	Internal Services	499.71	492.69	
	Contractual & Other Services	484.50	301.46	
	Reserves & Contingencies	0.00	0.00	
	<b>9,155.06</b>	<b>6,791.59</b>	<b>74.18%</b>	
<b>Criminal Justice Services</b>	Salary & Benefits	5,383.17	4,031.41	
	Internal Services	386.89	377.65	
	Contractual & Other Services	684.98	349.06	
	Reserves & Contingencies	0.00	0.00	
	<b>6,455.04</b>	<b>4,758.11</b>	<b>73.71%</b>	
<b>Fire &amp; Rescue</b>	Salary & Benefits	97,009.92	74,150.97	
	Internal Services	4,932.65	4,844.98	
	Contractual & Other Services	7,491.40	4,360.24	
	Reserves & Contingencies	0.00	0.00	
	<b>109,433.98</b>	<b>83,356.18</b>	<b>76.17%</b>	
<b>General District Court</b>	Salary & Benefits	997.55	589.99	
	Internal Services	31.37	31.37	
	Contractual & Other Services	290.05	73.94	
	Reserves & Contingencies	0.00	0.00	
	<b>1,318.97</b>	<b>695.30</b>	<b>52.72%</b>	
<b>Juvenile &amp; Domestic Relations Ct</b>	Salary & Benefits	441.71	245.75	
	Internal Services	43.95	43.95	
	Contractual & Other Services	75.97	67.13	
	Reserves & Contingencies	0.00	0.00	
	<b>561.63</b>	<b>356.83</b>	<b>63.54%</b>	
<b>Juvenile Court Service Unit</b>	Salary & Benefits	1,181.94	683.77	
	Internal Services	65.80	65.18	
	Contractual & Other Services	418.58	257.14	
	Reserves & Contingencies	0.00	0.00	
	<b>1,666.33</b>	<b>1,006.09</b>	<b>60.38%</b>	
<b>Magistrates</b>	Salary & Benefits	88.73	68.26	
	Internal Services	20.13	20.13	
	Contractual & Other Services	10.39	4.75	
	Reserves & Contingencies	0.00	0.00	
	<b>119.24</b>	<b>93.13</b>	<b>78.10%</b>	



# Public Safety Functional Area *(Continued)*

*(Dollar amounts expressed in thousands)*

Department	Spending Category	Budget	Actual	Spent %
<b>Police</b>	Salary & Benefits	106,580.66	78,607.72	
	Internal Services	12,884.62	10,213.07	
	Contractual & Other Services	10,527.76	7,377.34	
	Reserves & Contingencies	649.47	0.00	
	<b>130,642.51</b>	<b>96,198.13</b>	<b>73.63%</b>	
<b>Public Safety Communications</b>	Salary & Benefits	11,617.39	8,764.11	
	Internal Services	600.48	564.12	
	Contractual & Other Services	2,160.43	1,512.02	
	Reserves & Contingencies	0.00	0.00	
	<b>14,378.30</b>	<b>10,840.25</b>	<b>75.39%</b>	
<b>Sheriff</b>	Salary & Benefits	13,284.03	9,988.99	
	Internal Services	1,243.75	1,096.75	
	Contractual & Other Services	1,273.97	725.59	
	Reserves & Contingencies	0.00	(47.18)	
	<b>15,801.76</b>	<b>11,764.15</b>	<b>74.45%</b>	




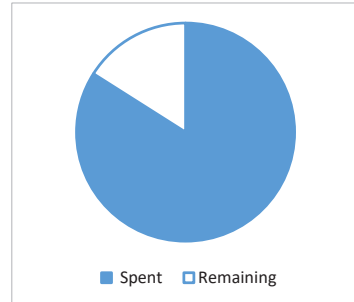
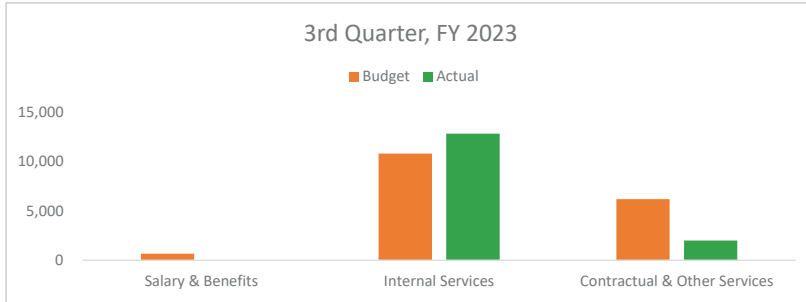
### Notable Variances

- General District Court** - Salary and Benefits is underspent due to vacancies. Contractual & Other Services is underspent due to encumbrances of \$0.1 million that will be captured in the fourth quarter.
- Juvenile & Domestic Relations Court** - Salary & Benefits is underspent due to not fully utilizing the local salary supplement due to state position vacancies.
- Juvenile Court Service Unit** - Salary & Benefits is underspent due to the third quarter local salary supplement not being processed due to a lag in processing payroll information provided by the state. Contractual & Other Services is underspent due to community partner funding that has not been processed and \$76,000 encumbered for contractual services to be spent in the fourth quarter.

# Non-Departmental

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Non-Departmental</b>	Salary & Benefits	660.56	17.11	
	Internal Services	10,824.43	12,840.69	
	Contractual & Other Services	6,199.22	1,994.74	
	Reserves & Contingencies	0.00	0.00	
		<b>17,684.22</b>	<b>14,852.54</b>	




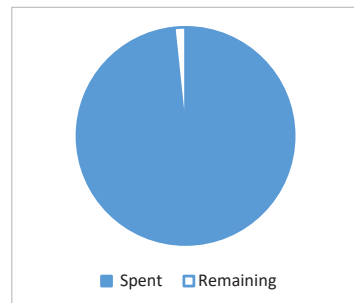
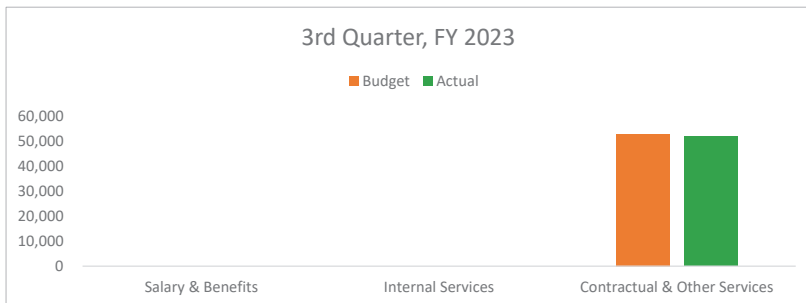
### Notable Variances

1. **Non-Departmental** - The following payments were made during the fiscal year: Self-Insurance Workers Compensation (\$6.2 million), Countywide Information Technology internal services costs (\$3.7 million), Self-Insurance Casualty Pool (\$2.9 million), Property and Miscellaneous Insurance Premiums (\$0.6 million), Unemployment Insurance (\$0.03 million), Northern Virginia Community College Contribution (\$0.8 million), and Hylton Performing Arts Center Contribution (\$0.6 million).

# 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	53,004.52	52,120.40	
	Reserves & Contingencies	0.00	0.00	
		<b>53,004.52</b>	<b>52,120.40</b>	



### Notable Variances

1. **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  
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