



PRINCE WILLIAM
COUNTY

Revenue & Expenditure REPORT

2nd Quarter

FY 2024

Published 02/15/24

PRINCE WILLIAM COUNTY

2nd Quarter FY 2024 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 2024 Adopted Budget estimates general revenues to be \$1.41 billion.

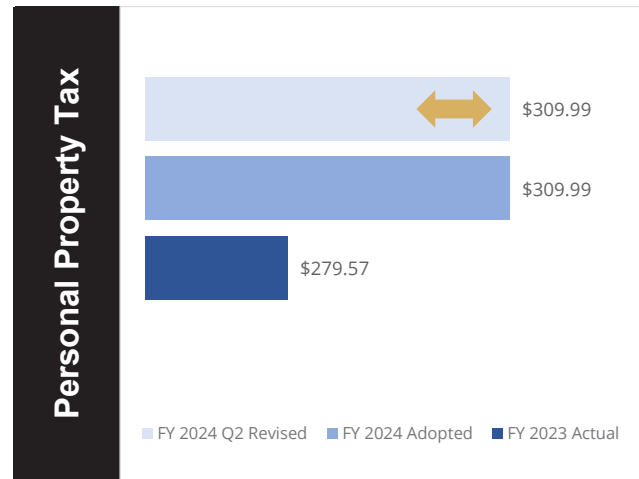
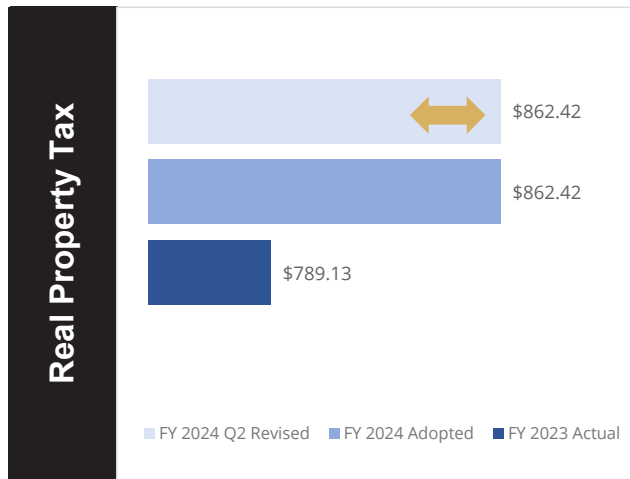
General Revenue Sources	Prior Year FY 2023	Current Year FY 2024				
	Year-End (Preliminary Unaudited)	Adopted Forecast	Q1 Revised	Q2 Revised	\$ Change Q2/Adopted	% Change Q2/Adopted
Real Property Tax	\$789,128,362	\$862,420,000	\$862,420,000	\$862,420,000	\$0	0.00%
Personal Property Tax	279,574,083	309,988,000	309,988,000	309,988,000	0	0.00%
Motor Vehicle License Tax	12,947,079	12,500,000	12,500,000	12,500,000	0	0.00%
Local Sales Tax	94,844,799	93,730,000	93,730,000	93,730,000	0	0.00%
Food and Beverage Tax	40,984,363	32,000,000	32,000,000	42,000,000	10,000,000	31.25%
Consumer Utility Tax	15,407,848	14,500,000	14,500,000	14,500,000	0	0.00%
Communications Sales and Use Tax	12,434,177	12,360,000	12,360,000	12,360,000	0	0.00%
BPOL Tax	34,636,305	34,000,000	34,000,000	34,000,000	0	0.00%
Investment Income	21,905,605	19,840,000	19,840,000	30,000,000	10,160,000	51.21%
All Other Revenue	19,840,264	16,924,000	16,924,000	16,924,000	0	0.00%
TOTAL GENERAL REVENUES	\$1,321,702,885	\$1,408,262,000	\$1,408,262,000	\$ 1,428,422,000	\$ 20,160,000	1.43%

Revenues At-A-Glance

Highlights from the FY 2024 Adopted Budget are as follows:

Real Property Tax revenue collected to date suggests this revenue stream is on course to meet the adopted forecast of \$862.4 million. Real estate tax relief, exonerations and lawsuit reserves, key components that influence net property tax proceeds, are being closely monitored to determine if future adjustments are warranted.

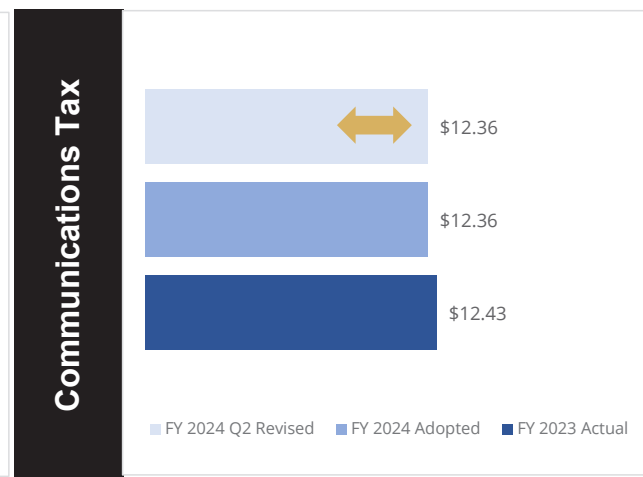
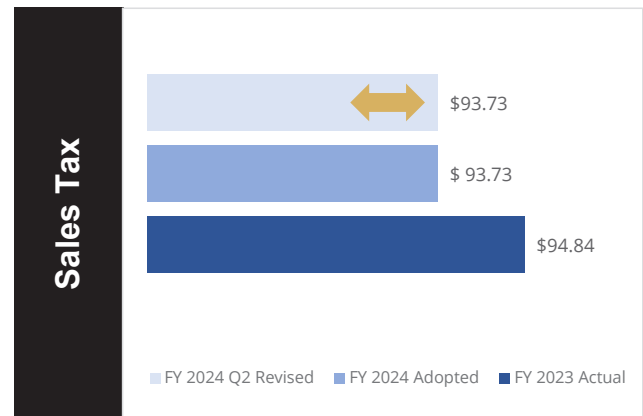
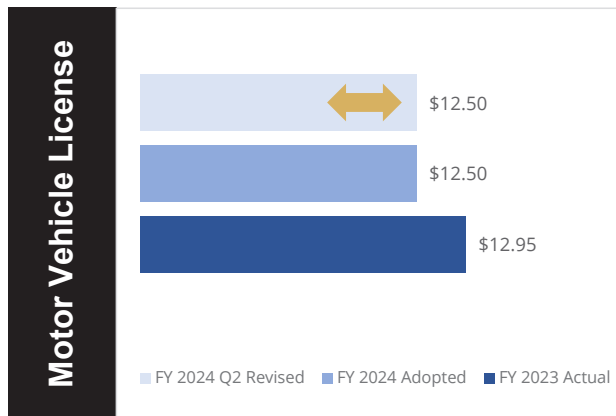
Personal Property Tax is forecast to generate FY 2024 revenue of \$310.0 million. At the time the FY 2024 vehicle forecast was formulated in early 2023, automobile financing rates were significantly higher (and rising) than the previous year and valuations were well above pre-pandemic levels. Staff was of the opinion the presence of these two conditions would act to suppress demand. Instead, the net inflow of vehicles to the County is trending approximately 2.1% higher for FY 2024 versus the prior fiscal year. The absence of a defined trend in the movement of vehicles in and out of the County during COVID and in the post-pandemic period, a key forecast driver, has presented a challenge in optimizing the vehicle forecast. As an example, tax year 2020 (FY 2021) saw a net outflow of units from the previous year of -1.0%, while in tax year 2021 (FY 2022) the net inflow of units increased by 2.6%. And in tax year 2022 (FY 2023) there was yet another net vehicle outflow of -0.6%. On September 12, 2023 the Board of County Supervisors unanimously voted to extend the vehicles personal property tax payment deadline by 90 days to January 3, 2024, offering residents a measure of temporary tax relief amid elevated vehicle valuations. Once Staff develops a comprehensive representation of tax payments received to date, an upward revision to the vehicle personal property forecast will be necessary in the third quarter.



Dollar amounts expressed in millions

Local Sales Tax collections over the first six months of FY 2024 implies this revenue stream is on track to meet the adopted forecast of \$93.7 million. Consumer demand has largely defied expectations for a substantive slowdown in consumption activity over the past twelve months. If consumer spending behavior continues to persist at or near current levels, buoyed in part by existing strength within the regional labor market, staff anticipates an upward adjustment to the adopted forecast will be necessary.

Food and Beverage Tax collections to date indicate this revenue source is on pace to exceed the adopted forecast of \$32 million. The backdrop propelling receipts is akin to Local Sales Tax – consistent spending behavior sustained by existing strength within the regional labor market, combined with a rotation of discretionary income spending behavior by consumers into services versus goods. Staff are of the opinion the dynamics driving receipts are supportive of raising the FY 2024 Food and Beverage Tax projection to \$42.0 million.



Dollar amounts expressed in millions

Investment Income received to date is on course to exceed the adopted forecast of \$19.8 million. Barring a significant financial system disruption or a marked decline in economic growth over the near-term, scenarios staff deemed plausible when the original forecast was developed in late 2022, policy makers have indicated they expect to keep the Federal Funds rate at a level high enough to restore inflation back to the Federal Reserve's 2.0% target. 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 are of the opinion the backdrop in place driving earnings supports raising the FY 2024 Investment Income forecast to \$30 million.



Dollar amounts expressed in millions

Looking Ahead

Economy At-A-Glance

Indicator	Prior Qtr 09/30/2023	Prior Year 12/31/2022	Current ¹ 12/31/2023	Trend					Notes
General									
Consumer Price Index (CPI)	3.7%	6.5%	3.4%	Orange	Yellow	Grey	Light Green	Dark Green	Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	4.9%	2.9%	3.3%	Orange	Yellow	Grey	Light Green	Dark Green	Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	5.33%	4.33%	5.33%	Orange	Yellow	Grey	Light Green	Dark Green	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	4,288	3,853	4,770	Orange	Yellow	Grey	Light Green	Dark Green	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.
Unemployment Rate									
National	3.8%	3.5%	3.7%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	2.5%	3.1%	3.0% (P)	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.9% (R)	2.4%	2.6% (P)	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of unemployed persons as a percentage of the total PWC labor force.
Average Weekly Wages ²									
National	\$1,465	\$1,294	\$1,332	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	\$1,477	\$1,316	\$1,371	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	\$1,176	\$1,096	\$1,151	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
Employment Establishments ³									
Virginia	347,721	320,590	357,131	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	98,962	94,958	96,689	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	11,422	10,639	11,738	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.
Revenue									
Retail Sales: National	0.7%	-1.1%	0.6%	Orange	Yellow	Grey	Light Green	Dark Green	Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	2.0%	13.2%	-1.3%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	3.2%	7.6%	1.6%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	17.9%	0.8%	7.1%	Orange	Yellow	Grey	Light Green	Dark Green	Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
Vehicles									
National Automobile Sales (units in millions)	15.5	13.7	15.5	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
Real Estate Market: Prince William County									
Median Sold Price	\$540,500	\$462,500	\$526,000	Orange	Yellow	Grey	Light Green	Dark Green	Reflects the median sold price for a home.
Closed Sales	392	350	319	Orange	Yellow	Grey	Light Green	Dark Green	Reflects the number of closed home sales.
Average Days on Market	15	30	22	Orange	Yellow	Grey	Light Green	Dark Green	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	1.14	0.90	Orange	Yellow	Grey	Light Green	Dark Green	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	211	301	252	Orange	Yellow	Grey	Light Green	Dark Green	Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	201	115	147	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	3.3%	4.3%	3.5%	Orange	Yellow	Grey	Light Green	Dark Green	Tracks the percentage of vacant store front property by square feet.

¹ Reflects data available as of the date displayed
² Average Weekly Wages lags current and prior period by 2 quarters
³ Employment Establishments lags current and prior period by 2 quarters
(P): Preliminary
(R): Revised



National, State, and Local Trends

National Twelve months ago, a U.S. recession of some form in 2023 seemed nearly inevitable as a long line of financial markets pundits leaned into the theory that monetary policy works with long and variable lags. Most believed the consequences of an aggressive interest rate hiking campaign by the Federal Reserve to quash inflation would surely begin to extract a toll on consumption and the labor market. Such has been the plight when attempting to understand the economic impacts brought forth by COVID throughout the transition to a post-pandemic landscape. While the pace of hiring and U.S economic activity has ratcheted down, recession calls have largely been scrapped as inflation has fallen without the rapid economic slowdown and higher unemployment forecast by many economists. Instead, fanciful terms such as “soft landing”, “economic nirvana” and “goldilocks” have been floated to describe the current state of the U.S. economy. But despite relatively positive sentiment being expressed by economists and investors, not all Americans are prospering. Depleted savings, increased reliance on revolving credit and rising auto loan defaults are early signs of economic weakness that deserve consideration when assessing the potential for a more widespread downturn in the U.S. economy.

The combination of low unemployment, falling inflation and firm consumer demand, though welcome, is challenging to decipher amid elevated borrowing costs and tighter lending standards. Many wonder if the enormous sum of federal dollars that were allocated through federal legislation, namely CARES and ARPA, to mitigate the economic impact of COVID, coupled with post pandemic spending legislation, could be supporting U.S. economic expansion, thus partially nullifying the Federal Reserve’s 550 basis points of interest rate increases. If Bank of America’s recent claim that approximately seventy-five percent of federal stimulus dollars have not been spent is accurate, a reasonable argument can be made that a key factor permitting inflation to ease has simply been the gradual process of aggregate supply catching up with demand despite federal spending policies potentially delivering an inflationary impulse by subsidizing economic growth.

Federal Reserve policy makers have generally expressed a positive tone regarding the progress that has been made to reduce price pressures but have signaled a higher degree of confidence that inflation is on a durable path back to 2.0% will be necessary prior to moving forward with interest rate cuts. Given the litany of economic forecasts that have been refuted over the past several years, caution is warranted as officials deliberate a recalibration of monetary policy. Despite inflation moving in the right direction, the Federal Reserve’s job of navigating the U.S. economy to a “soft landing” will not necessarily become easier. The central bank will need to weigh risks and uncertainties that could upend its dual mandate of price stability and full employment. But with that dual mandate having become more balanced at this juncture, interest rate cuts are justifiable. The only questions that remain are when and at what pace.

Consumer Price Index (CPI) While inflation has fallen from once precipitous levels, December’s CPI report demonstrates the journey that remains to the Federal Reserve’s 2.0% target may prove an arduous endeavor. Since peaking at 8.9% in June 2022, easing inflationary pressure has been led primarily by declining prices for core goods and energy. But with energy a notoriously volatile component and a fading disinflationary impulse from core goods, additional progress will be necessary in core services for inflation to exude sustained momentum toward 2.0%. Headline CPI for December increased 0.3% versus a 0.1% gain in November. Measured year-over-year, inflation rose at a 3.4% pace compared to 3.1% in November. Energy prices accounted for approximately 0.03% of the increase in headline inflation, propelled by a 0.2% increase in the cost of gasoline versus -6.0% the prior month and an increase in electricity costs of 1.3%. Core inflation, which excludes food and energy and is scrutinized to assess signs of progress, remained unchanged at 0.3% month-over-month, while the year-over-year pace fell slightly to 3.9% from 4.0%. Core goods were flat (0.0%) in December, ending six consecutive months of declines. The primary culprit behind the halt was a rise in used and new vehicle prices of 0.5% and 0.3%, respectively. Though used vehicle prices have fallen -1.3% on a year-over-year basis, the pace of declines has moderated from a peak of -13.6% set in February 2023. And while new vehicle prices posted a year-over-year price gain of 1.0%, a steady disinflationary trend over the past 12 months represents a modest silver lining. Despite core services prices declining slightly to 0.4% in December from 0.5% the previous month, an increase of 0.5% in the shelter component contributed to offsetting

decreases in other services groups. Carrying an index weight equal to roughly one-third of overall CPI, the shelter category (includes rental housing costs) is a significant driver of not only services inflation but the entire CPI basket. In a note, Bloomberg Economics summarized the inflation backdrop, saying, "Looking ahead to the next six months, we see monthly core CPI averaging 0.23% - corresponding to an annualized rate of 2.8% - and then lingering there." "One of the main hurdles for inflation to durably fall below that level is the slow pace of disinflation in core services ex-shelter - or "supercore" - categories. Already, some businesses have planned sizable price hikes for 2024 - for example, the largest insurer in California is set to raise premiums for housing insurance by 20% and car insurance by 25%. Moreover, more than half of US states are set to hike the minimum wage, with Florida increasing it by as much as 18% this year and California raising fast-food workers' minimum wages by 30%."

Gross Domestic Product (GDP) U.S. economic growth during the quarter surpassed many analysts' projections, lending support to those that subscribe to the "soft landing" narrative. However, the latest Beige Book, a summary of economic conditions across the twelve Federal Reserve Districts, points to signs of labor market weakness that may challenge the pace of consumer spending amid fading disposable income and rising debt burdens. Furthermore, with seven of the twelve districts reporting a modest decline or no change in economic activity, future downward revisions to various categories that comprise the GDP basket are possible. Adjusted for inflation, the Bureau of Economic Analysis's advance estimate of GDP showed the U.S. economy grew at a 3.3% annualized pace during the quarter, well above the consensus estimate of 2.0%. Final sales to domestic purchasers, a key metric utilized to assess trends in consumption behavior, increased 2.7% but was down from the previous quarter's mark of 3.5%. The impulse from consumer spending was the primary driver of growth, contributing 1.9 percentage points to overall GDP as personal consumption expanded 2.8%. Believed by some market observers to be post-pandemic demand for entertainment rather than fundamental long-term strength, service sector spending was a key catalyst behind the increase in personal consumption, rising 2.4% and adding 1.1 percentage points to headline GDP. Personal spending on goods rose as well, posting an increase of 3.8% and a contribution of 0.9 percentage points to aggregate growth. Additional components that were anticipated by some to be a drag on economic growth, but instead provided a boost to GDP, were net exports of goods and services and change in private inventories.

Labor Market With the pace of hiring in December outperforming expectations, an initial conclusion could be drawn that the demand for labor has remained robust. But subtle details indicate the job market may not be as buoyant as the headline data suggests. First, the December Household Survey revealed a decrease in employed workers of -683,000 versus a gain of 586,000 in November. According to a Bloomberg estimate, if the Household Survey were adjusted to match the non-farm payroll methodology, also known as the Establishment Survey, household employment would have declined by -753,000 workers. And second, downward revisions of -133,000 non-farm payroll jobs over the prior three months signal the demand for workers is slowly weakening. Furthermore, increases in categories such as the number of people unemployed for more than fifteen weeks, persons unemployed due to job loss and individuals employed part time for economic reasons all point to a methodical cooling in labor market conditions. Nonfarm payrolls for December increased 216,000 versus 173,000 in November, well above the consensus estimate of 175,000. The unemployment rate remained unchanged at 3.7% in December from the previous month. The labor force contracted by -676,000 workers during December which led the labor force participation rate to fall to 62.5% from 62.8% the prior month. Similar to prior months, the breadth of job gains in December were narrow on a sector level basis. Employment expansion was concentrated primarily in health care and social assistance (59k), government (52k) and leisure and hospitality (40k). Transportation and warehousing (-23k) realized the largest decline. Citing the December employment report, Bloomberg Economics said, "there are too many signs of a fast-weakening labor market in this report to ignore." "The median duration of unemployment spiked in December to 9.7 weeks (vs. 9.0 prior). Demand for temp workers - a tell-tell sign of downturns - is lower. The number of those working part-time for economic reasons has been climbing. Hours worked are down." "For those reasons, we continue to expect a persistent increase in the jobless rate over the rest of 2024."

Retail Sales Consumers capitalized on discounted merchandise by retailers seeking to clear inventory, propelling December retail sales to an impressive gain versus the consensus estimate. But with U.S

consumers becoming more reliant on revolving credit and payment plans to support consumption, future spending behavior may face headwinds amid rising debt burdens and a softening labor market. Retail sales increased 0.6% in December preceded by a 0.3% gain in November. The consensus estimate called for a 0.4% increase. December's advance report revealed an increase in automobile and other motor vehicles sales of 1.2%, while clothing and clothing accessories stores and non-store retailers each posted gains of 1.5%. Control-group sales, (excludes food services, auto dealers, building-material stores, and gasoline stations) a potential barometer for underlying spending trends, rose higher than anticipated to 0.8% versus 0.5% in November. Spending at restaurants and drinking establishments, a proxy for service sector consumption, was flat in December compared to 0.4% the prior month.

Automobile Industry The National Automobile Dealers Association (NADA) reported new light-vehicle sales of 15.5 million units in 2023, an increase of 12.4% versus 2022. Light trucks accounted for 80% of new vehicle sales, a 0.8% increase from 2022. Crossovers remained the most popular segment, capturing 47.9% of all new light vehicles sold and up 2.6% over 2022. Battery electric vehicle sales exceeded 1.1 million units and accounted for 7.2% of new light vehicles sales. Hybrids and plug-in hybrids secured 7.6% of new vehicle sales, with each category growing 2% and 0.6%, respectively, compared to 2022. According to NADA, new light-vehicle inventory grew steadily throughout the year, increasing from 1.7 million units on the ground and in transit at the beginning of 2023 to 2.3 million units by year end. As new vehicle inventory has risen, Original Equipment Manufacturer (OEM) spending has followed suit, providing a marginal level of relief against a backdrop of elevated prices. J.D. Power projects average incentive spending per unit to total \$2,458 for December, a year-over-year increase of 90.7%, while the company estimates the average monthly payment for a new vehicle purchase to be \$739, up \$9 from one year prior. And though new vehicle prices remain well above pre-COVID levels, Kelly Blue Book reported the average transaction price decreased 2.4% from one year prior. NADA anticipates new vehicle supply during 2024 will continue to rise, but the presence of high financing costs is expected to dampen sales potential. With new vehicle inventory expected to reach pre-pandemic levels, Cox Automotive projects new vehicle transaction prices should "decline moderately" as higher incentives and discounts are introduced. NADA and Cox Automotive forecast 2024 new vehicle sales to be 15.9 million units and 15.7 million units, respectively. While new-vehicle prices have remained elevated, the trajectory of used vehicle values has followed a different path. As of December, the Manheim Used Vehicle Value Index was down 7.0% from the previous year. "We ended 2023 with about half of the used-vehicle value decline we saw in 2022, but still more than we'd see in a typical year," said Cox Automotive Chief Economist. "For 2024, the key word for the wholesale market is 'normalcy.' Manheim expects constrained growth with a volume increase of less than 1%. As for price patterns, we anticipate a normalization trend, and we expect that 2024 will be the first year in five where we will experience fairly normal depreciation in the wholesale market."

State The Secretary of Finance's September revenue report noted the Commonwealth's FY 2024 general fund revenues are anticipated to decline 0.6% versus the 5.5% decrease projected in the revised budget ratified last September. The decrease is, in part, being driven by tax policy changes implemented in 2022 and 2023 and the assumption of a U.S. recession taking hold in the fourth quarter that will persist for three quarters. Fiscal year-to-date general fund revenues are tracking 7.1% above the adopted forecast. But when measured against the impact of Pass-Through Entity Tax collections and refunds and the implementation of policies designed to incorporate trending economic activity, revenue collections rose 5.9%. When compared to the revenue projection in the Governor's amended FY 2024 budget, general fund revenues are 2.8% (\$363.2 million) above the forecast on a fiscal year-to-date basis. Individual income tax withholding (58% of general fund revenues) grew an adjusted 5.1% through the first half of FY 2024 compared to the same period last year. Sales tax collections (16% of general fund revenues) increased 1.2% year-to-date after adjusting for the termination of the Commonwealth's Grocery Tax and Accelerated Sales Tax. "Through the first half of the fiscal year, our forecast continues to correctly reflect the economic risks and uncertainty on the horizon," said Governor Glenn Youngkin. "As we laid out in our Unleashing Opportunity Budget, lowering the cost of living for all Virginians and empowering an economic environment for our companies to compete and win to drive job growth across the Commonwealth remains a top priority."

Virginia’s seasonally adjusted unemployment rate rose during the quarter, moving to 3.0% in December from 2.5% in September. The Virginia Employment Commission’s December report disclosed a decrease in Virginia’s labor force of 1,763 workers to 4,623,066, while the number of unemployed residents increased by 6,632 to 138,771. The number of employed Virginians decreased 8,395 to 4,484,295. The Commission reported employment rose in four of eleven major categories, led by job gains in Education and Health Services (3,200), Manufacturing (600) and Professional and Leisure and Hospitality (500). Within the five categories that declined, the largest number of jobs lost occurred in Government (-6,200), Professional and Business Services (-6,000) and Trade, Transportation and Utilities (-2,600).

Local Prince William County’s labor market profile remained relatively stable over the quarter as the unemployment rate declined to 2.6% in December from a revised 2.9% at the end of the prior quarter. Quarter-over-quarter, the number of employed residents decreased by 5,095, while the labor force shrank to 256,032 from 261,957. The total number of unemployed citizens declined by 769 from October through December but when measured on a on a quarter-over-quarter basis, Bureau of Labor Statistics data indicated a net decrease of 830. 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 decreased to 355 versus a per month average of 437 over the previous quarter. Considering the benign trajectory of claims over the quarter, a reasonable conclusion can be made that 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 December 2022 and December 2023.

Category	Dec 2023	Dec 2022	Increase/(Decrease)
Median Sold Price	\$526,000	\$462,500	13.7%
Units Sold	319	350	-8.9%
Active Listings	287	399	-28.1%
Average Days on Market	22	30	-26.7%
New Listings	229	276	-17.0%

While mortgage financing rates have recently eased, the housing market is confronted with an affordability crisis that shows no signs of relief for homebuyers. Current homeowners that locked into lower interest mortgages over the past few years, particularly mid-2020 through mid-2022, are displaying reluctance to list their homes for sale, causing inventory levels to remain depressed and limiting price declines. At the time of this writing, Freddie Mac’s Primary Mortgage Survey indicated the average 30-year fixed rate mortgage stood at 6.63%, down from the survey’s 2023 high-mark of 7.79%. Freddie Mac recently noted that “Although affordability continues to impact homeownership, the combination of a solid economy, strong demographics and lower mortgage rates are setting the stage for a more robust housing market. Mortgage rates have been stable for nearly two months, but with continued deceleration in inflation, rates are expected to decline further. The economy continues to outperform due to solid job and income growth, while household formation is increasing at rates above pre-pandemic levels. These favorable factors should provide strong fundamental support to the market in the months ahead.” Virginia Realtors monthly Flash Survey indicated the organization’s Buyer Activity Index increased to 31 in December from 27 the prior month. Approximately 12% of realtors assessed buyer activity in their local market as “high” or “very high”, while roughly 50% 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 rose to 58 in December compared to 37 the previous month. Approximately 34% of survey participants thought buyer activity over the next three months would be strong in their respective markets while 17% indicated buyer activity would decline.

Commercial Sector For the quarter ended December 2023, Costar Realty Group (Costar) reported the County's commercial inventory included 55.5 million square feet (sq. ft.) of space in 2,240 properties with 1.9 million sq. ft. of vacant space. The vacancy rate was 3.5% compared to 3.3% at the end of the prior quarter. Highlights from Virginia Realtors Q4 2023 statewide commercial real estate report are as follows:

- Office: "Virginia's office market remained sluggish to close out 2023. Vacancy rates are trending up as net absorption remains negative in most regions around the state. Even with a resilient job market, demand for office space is lower than it was pre-2020." "Nevertheless, rents held firm, rising slightly from this time last year across class types. Construction activity remains anemic, and deliveries are nearly at a standstill, with just under 150K sq ft of new office space delivered statewide in Q4."
- Retail: "The retail market had a solid Q4 in Virginia driven by strong absorption in the Richmond region and Hampton Roads. Consumer demand for services has propelled much of the strength in the retail sector. Retail construction continues to increase, the vacancy rate is tightening, and rents are climbing as a result."
- Industrial: "The demand for industrial space is still strong, but absorption has moderated from last year's highs. Much of this demand is being driven by resilient consumer spending, specifically ecommerce. This is also reflected in strong job growth in the Transportation & Warehousing sector in recent months. Nearly all metro areas in Virginia had positive net absorption of industrial space in Q4, and rents are climbing rapidly across the state. The vacancy rate inched up statewide but remains below 4% across building types."

PRINCE WILLIAM COUNTY

2nd Quarter FY 2024 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 an FY 2024 general fund budget of \$1.65 billion.

- \$805.9 million adopted School transfer, in accordance with the County-Schools revenue sharing agreement.
- \$839.7 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.

Second 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 2024 Budget*** – As of December 31, 2024, the revised County government unrestricted general fund budget, excluding transfers, was \$777.2 million.
3. ***Second Quarter General Fund Expenditures*** – As of December 31, 2024, 51.2% 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 through the second quarter, agencies spent 48.8% of the operating expenditure budget.

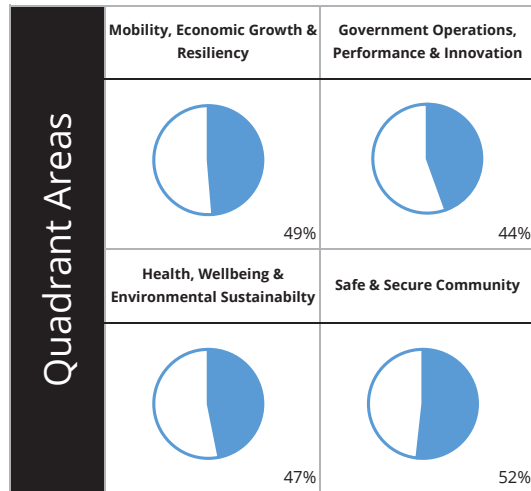
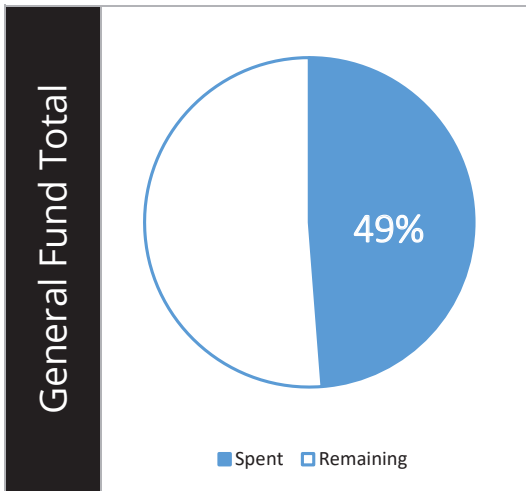
Percent of Budget Spent (Including Debt Service & Non-Departmental)	Percent of Budget Spent (Excluding Debt Service & Non-Departmental)
51.2%	48.8%

4. *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 46.7% of the operating expenditure budget.

Percent of Budget Spent (Excluding Debt Service, Non-Departmental, & Internal Services)
46.7%

Current projections indicate **97.0% 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 \$20.0 million.**

5. *Retiree Health Benefit* - Retiree health benefit costs of \$3.1 million were charged for the entire fiscal year in the first quarter.
6. *Agency Revenue Shortfall* – **General fund agency revenue is projected to be \$6.0 million below budget.** The projected agency revenue shortfall primarily occurs in Community Services deferred revenue projections and Area Agency on Aging reimbursements from the Commonwealth and federal government. Additionally, court fines received by the General District Court are projected to be below budget. Lastly, revenue received by Parks & Recreation is also projected to be below budget.
7. *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.




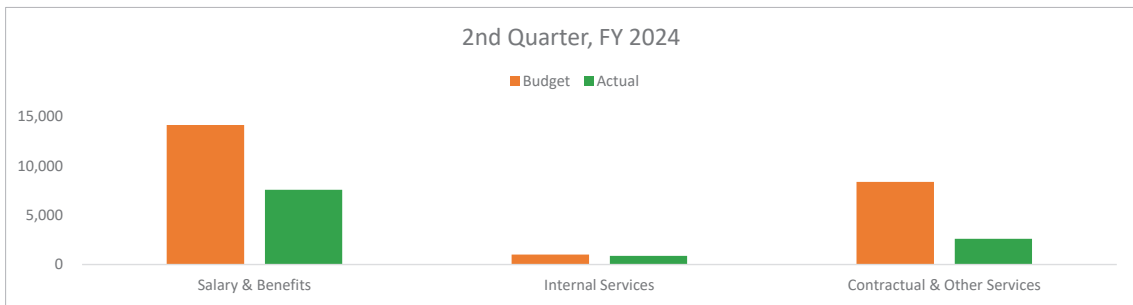
Mobility, Economic Growth & Resiliency Quadrant Area

(Dollar amounts expressed in thousands)

Departments & Agencies

- Economic Development & Tourism
- Planning
- Public Works
- Transportation

Quadrant Area	Spending Category	Budget	Actual	Spent %
Mobility, Economic Growth & Resiliency	Salary & Benefits	14,165.32	7,582.56	
	Internal Services	1,021.63	882.92	
	Contractual & Other Services	8,391.87	2,608.01	
	Reserves & Contingencies	(4,304.79)	(1,692.02)	
	19,274.04	9,381.48	48.67%	




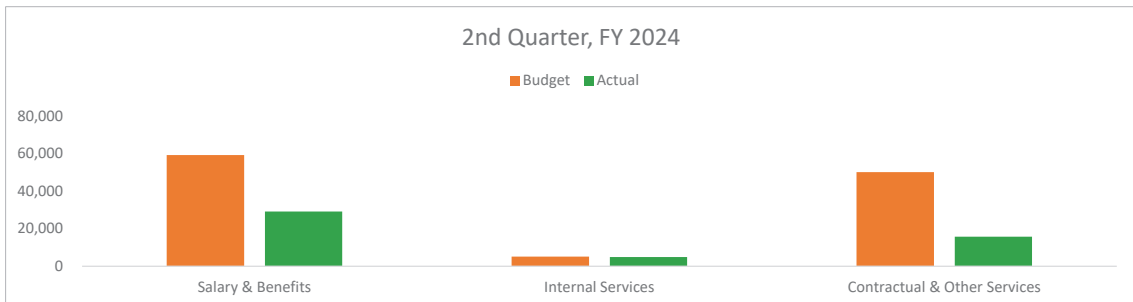
Government Operations, Performance & Innovation Quadrant Area

(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

Quadrant Area	Spending Category	Budget	Actual	Spent %
Government Operations, Performance & Innovation	Salary & Benefits	59,260.89	29,174.15	
	Internal Services	5,157.58	4,926.27	
	Contractual & Other Services	50,187.25	15,751.70	
	Reserves & Contingencies	(5,625.90)	(1,388.00)	
	108,979.83	48,464.12	44.47%	




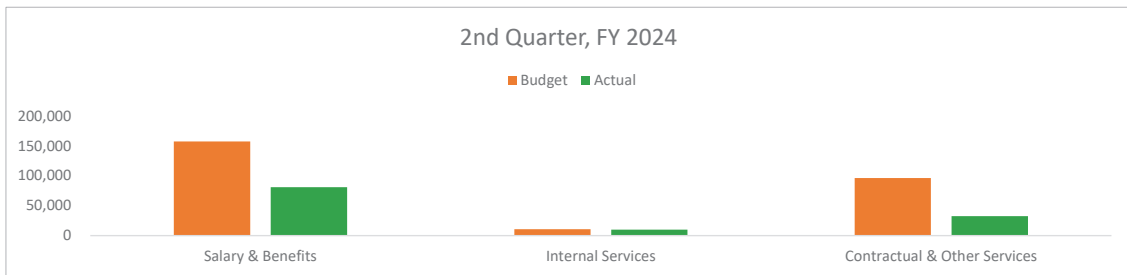
Health, Wellbeing & Environmental Sustainability Quadrant Area

(Dollar amounts expressed in thousands)

Departments & Agencies

- Aging
- Community Services
- Cooperative Extension Service
- Library
- Parks & Recreation
- Public Health
- Social Services

Quadrant Area	Spending Category	Budget	Actual	Spent %
Health, Wellbeing & Environmental Sustainability	Salary & Benefits	157,376.57	81,151.24	
	Internal Services	10,737.65	9,989.94	
	Contractual & Other Services	96,156.89	32,674.55	
	Reserves & Contingencies	(843.98)	(418.70)	
	Total		263,427.14	




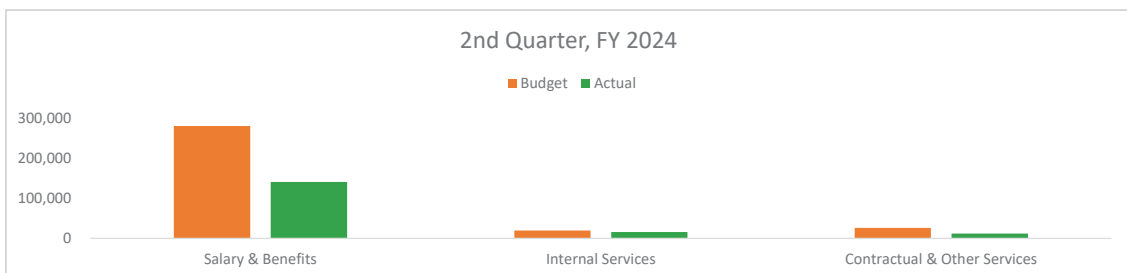
Safe & Secure Community Quadrant Area

(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

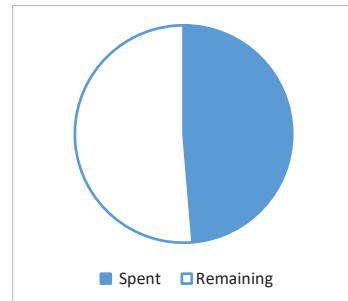
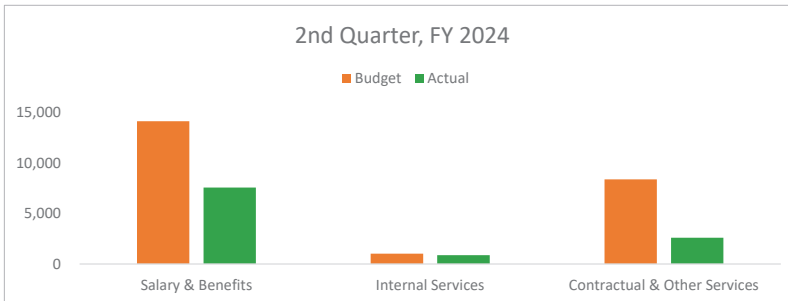
Quadrant Area	Spending Category	Budget	Actual	Spent %
Safe & Secure Community	Salary & Benefits	282,123.83	141,707.14	
	Internal Services	20,016.47	16,123.68	
	Contractual & Other Services	26,408.57	12,393.14	
	Reserves & Contingencies	395.66	(4.07)	
	Total		328,944.53	



Mobility, Economic Growth & Resiliency Quadrant Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Economic Development & Tourism	Salary & Benefits	3,090.97	1,544.01	
	Internal Services	154.97	152.60	
	Contractual & Other Services	2,159.19	702.45	
	Reserves & Contingencies	(15.40)	0.00	
		5,389.73	2,399.07	44.51%
Planning	Salary & Benefits	1,670.04	870.32	
	Internal Services	160.06	158.12	
	Contractual & Other Services	989.45	416.56	
	Reserves & Contingencies	(8.06)	0.00	
		2,811.50	1,444.99	51.40%
Public Works	Salary & Benefits	4,043.74	2,132.32	
	Internal Services	383.53	239.45	
	Contractual & Other Services	1,861.73	339.07	
	Reserves & Contingencies	(178.61)	(68.16)	
		6,110.39	2,642.67	43.25%
Transportation	Salary & Benefits	5,360.57	3,035.92	
	Internal Services	323.06	332.76	
	Contractual & Other Services	3,381.51	1,149.94	
	Reserves & Contingencies	(4,102.72)	(1,623.86)	
		4,962.42	2,894.75	58.33%












Notable Variances

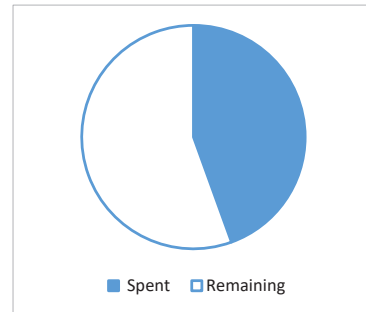
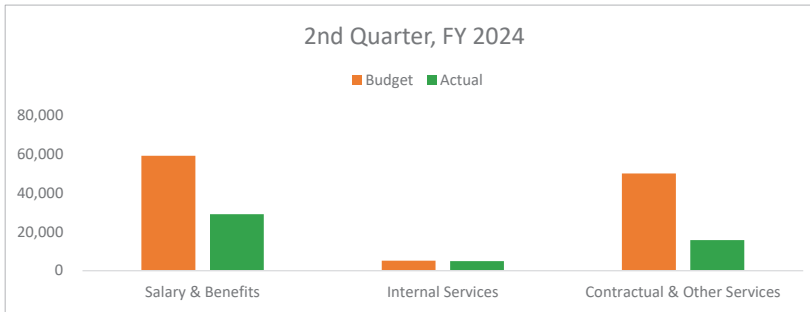
- Economic Development & Tourism** - Contractual & Other services includes \$0.4 million in encumbrances for larger contracts including fees for consultants to produce a variety of studies, audits, and marketing branding support.
- Public Works** - Contractual & Other Services includes \$0.3 million in encumbrances that will be billed later in the year.
- Transportation** - Most personnel costs are cost-recovered from capital projects. Cost recovery of \$0.3 million for December 2023 has not yet been completed.

Government Operations, Performance & Innovation Quadrant Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Board of County Supervisors	Salary & Benefits	3,798.40	1,672.52	
	Internal Services	365.70	365.70	
	Contractual & Other Services	2,451.33	569.49	
	Reserves & Contingencies	(12.90)	0.00	
	6,602.52	2,607.71	39.50%	
County Attorney	Salary & Benefits	5,076.77	2,407.30	
	Internal Services	298.36	298.29	
	Contractual & Other Services	1,098.86	317.05	
	Reserves & Contingencies	(181.85)	(49.54)	
	6,292.14	2,973.10	47.25%	
Elections	Salary & Benefits	2,050.00	1,295.52	
	Internal Services	238.70	235.90	
	Contractual & Other Services	1,108.57	660.40	
	Reserves & Contingencies	(14.08)	0.00	
	3,383.19	2,191.82	64.79%	
Executive Management	Salary & Benefits	5,146.05	2,688.61	
	Internal Services	297.88	296.11	
	Contractual & Other Services	1,652.83	412.34	
	Reserves & Contingencies	(7.39)	0.00	
	7,089.37	3,397.06	47.92%	
Facilities & Fleet Management	Salary & Benefits	12,216.91	6,173.30	
	Internal Services	1,363.48	1,154.27	
	Contractual & Other Services	37,768.32	12,449.94	
	Reserves & Contingencies	(4,038.43)	(323.19)	
	47,310.28	19,454.31	41.12%	
Finance	Salary & Benefits	23,142.42	11,051.58	
	Internal Services	1,908.41	1,890.94	
	Contractual & Other Services	4,917.22	1,134.52	
	Reserves & Contingencies	(673.23)	(1,015.26)	
	29,294.81	13,061.78	44.59%	
Human Resources	Salary & Benefits	5,180.70	2,516.61	
	Internal Services	533.28	533.28	
	Contractual & Other Services	1,037.49	188.20	
	Reserves & Contingencies	(696.61)	0.00	
	6,054.84	3,238.09	53.48%	
Human Rights Office	Salary & Benefits	854.21	426.94	
	Internal Services	46.01	46.01	
	Contractual & Other Services	72.70	9.31	
	Reserves & Contingencies	(0.69)	0.00	
	972.24	482.26	49.60%	
Management & Budget	Salary & Benefits	1,795.44	941.76	
	Internal Services	105.78	105.78	
	Contractual & Other Services	79.93	10.45	
	Reserves & Contingencies	(0.72)	0.00	
	1,980.42	1,057.98	53.42%	

Government Operations Quadrant Area *(Continued)*










Notable Variances

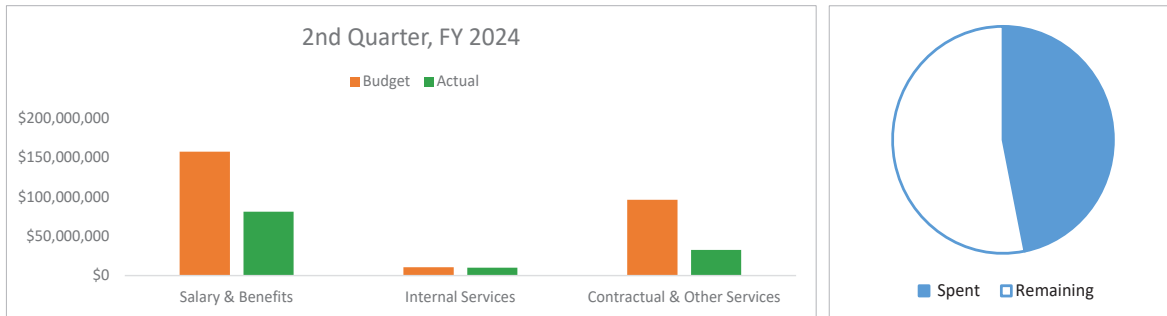
- Elections** - The second quarter of the fiscal year includes the November general election, the heaviest expense period for temporary staffing, overtime costs, and contract services. Additionally, Internal Services were billed for the entire fiscal year.
- Facilities & Fleet Management** - Funds of \$17.1 million have been encumbered, primarily for leases (\$5.5 million), utilities (\$3.1 million), vehicles (\$1.7 million), repairs & maintenance (\$1.5 million), and other operating expenses which will be spent throughout the remainder of the fiscal year.
- Finance** - Salary & benefits is underspent due to vacancies. Contractual & Other Services includes \$2.0 million in encumbrances that will be billed later in the year.
- Human Resources** - After accounting for technology internal service charges being billed for the entire fiscal year, Human Resources has spent 49.0% of their budget through the second quarter.
- Management & Budget** - After accounting for technology internal service charges being billed for the entire fiscal year, OMB has spent 50.8% of their budget through the second quarter.

Health, Wellbeing & Environmental Sustainability Quadrant Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Aging	Salary & Benefits	4,030.42	2,212.51	
	Internal Services	257.64	242.63	
	Contractual & Other Services	5,241.39	3,439.47	
	Reserves & Contingencies	(47.66)	0.00	
	9,481.79	5,894.61	62.17%	
Community Services	Salary & Benefits	54,863.27	27,362.33	
	Internal Services	2,584.72	2,526.92	
	Contractual & Other Services	38,301.38	6,555.37	
	Reserves & Contingencies	(160.05)	0.00	
	95,589.32	36,444.63	38.13%	
Cooperative Extension Service	Salary & Benefits	1,064.66	509.26	
	Internal Services	143.69	143.66	
	Contractual & Other Services	108.05	22.65	
	Reserves & Contingencies	(0.43)	0.00	
	1,315.97	675.57	51.34%	
Library	Salary & Benefits	18,003.61	9,013.48	
	Internal Services	1,775.57	1,717.92	
	Contractual & Other Services	3,550.80	1,488.48	
	Reserves & Contingencies	(30.76)	0.00	
	23,299.21	12,219.87	52.45%	
Parks & Recreation	Salary & Benefits	28,506.60	14,886.38	
	Internal Services	3,249.09	2,689.22	
	Contractual & Other Services	12,215.28	4,934.09	
	Reserves & Contingencies	(242.15)	(418.70)	
	43,728.82	22,090.99	50.52%	
Public Health	Salary & Benefits	2,223.64	1,144.66	
	Internal Services	60.56	57.44	
	Contractual & Other Services	3,102.28	2,337.36	
	Reserves & Contingencies	(30.97)	0.00	
	5,355.52	3,539.46	66.09%	
Social Services	Salary & Benefits	48,684.36	26,022.62	
	Internal Services	2,666.39	2,612.15	
	Contractual & Other Services	33,637.71	13,897.14	
	Reserves & Contingencies	(331.96)	0.00	
	84,656.50	42,531.91	50.24%	

Health, Wellbeing & Environmental Quadrant Area *(Continued)*












Notable Variances

1. **Aging** - Expenditures are elevated due to full year costs associated with Birmingham Green (\$2.4 million) paid at the beginning of the year.
2. **Community Services** - Contractual & Other Services includes \$13.1 million in encumbrances of which \$9.2 million is associated with the Crisis Receiving Center local and regional operational startup project that will be billed later in the year. The remaining encumbered funds are primarily for developmental disabilities and early intervention services.
3. **Cooperative Extension Service** - After accounting for technology internal service charges being billed for the entire fiscal year, VCE has spent 45.4% of their budget through the second quarter.
4. **Library** - After accounting for technology internal service charges being billed for the entire fiscal year, Library has spent 48.8% of their budget through the second quarter.
5. **Public Health** - Expenditures are elevated due to the payment of the 3rd quarter local agreement to the Commonwealth before the 3rd quarter officially began.




Safe & Secure Community Quadrant Area

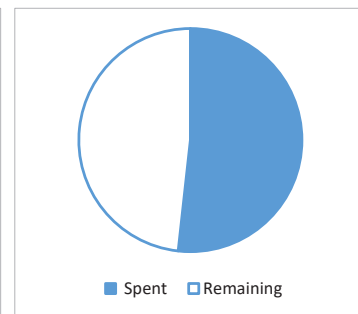
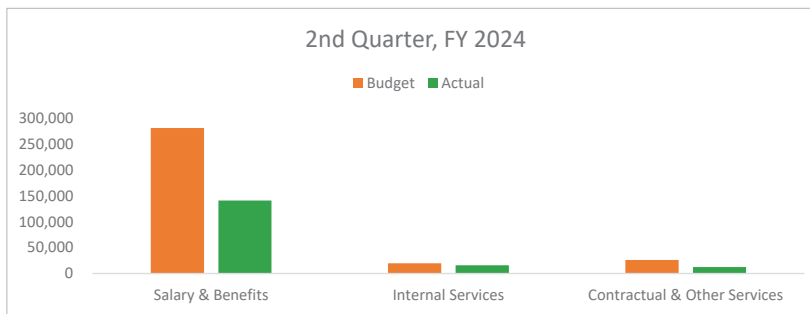
(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Circuit Court Clerk	Salary & Benefits	4,780.03	2,564.96	
	Internal Services	255.21	255.42	
	Contractual & Other Services	966.97	299.27	
	Reserves & Contingencies	(3.74)	0.00	
	5,998.47	3,119.66	52.01%	
Circuit Court Judges	Salary & Benefits	1,559.37	785.28	
	Internal Services	73.50	73.50	
	Contractual & Other Services	96.04	31.85	
	Reserves & Contingencies	(0.94)	0.00	
	1,727.98	890.63	51.54%	
Commonwealth Attorney	Salary & Benefits	9,679.59	4,620.99	
	Internal Services	549.72	548.19	
	Contractual & Other Services	501.81	277.59	
	Reserves & Contingencies	(4.55)	0.00	
	10,726.56	5,446.77	50.78%	
Criminal Justice Services	Salary & Benefits	6,092.55	3,099.14	
	Internal Services	386.40	381.65	
	Contractual & Other Services	905.50	340.07	
	Reserves & Contingencies	(6.05)	0.00	
	7,378.40	3,820.87	51.78%	
Fire & Rescue	Salary & Benefits	110,648.07	55,804.80	
	Internal Services	5,204.04	4,310.23	
	Contractual & Other Services	7,794.03	3,096.07	
	Reserves & Contingencies	(53.06)	0.00	
	123,593.09	63,211.11	51.14%	
General District Court	Salary & Benefits	1,554.17	641.36	
	Internal Services	23.11	23.11	
	Contractual & Other Services	228.04	35.39	
	Reserves & Contingencies	(1.75)	0.00	
	1,803.56	699.85	38.80%	
Juvenile & Domestic Relations Ct	Salary & Benefits	381.28	188.72	
	Internal Services	32.92	32.92	
	Contractual & Other Services	89.68	40.72	
	Reserves & Contingencies	(0.66)	0.00	
	503.22	262.37	52.14%	
Juvenile Court Service Unit	Salary & Benefits	1,517.91	604.46	
	Internal Services	66.02	65.31	
	Contractual & Other Services	304.27	128.14	
	Reserves & Contingencies	(4.01)	0.00	
	1,884.19	797.90	42.35%	
Magistrates	Salary & Benefits	88.73	44.37	
	Internal Services	20.13	20.13	
	Contractual & Other Services	10.39	4.09	
	Reserves & Contingencies	(0.08)	0.00	
	119.16	68.58	57.56%	

Safe & Secure Quadrant Area (Continued)

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Police	Salary & Benefits	117,702.15	59,560.40	
	Internal Services	11,514.87	8,801.67	
	Contractual & Other Services	12,251.05	6,366.20	
	Reserves & Contingencies	500.00	0.00	
	141,968.08	74,728.26	52.64%	
Public Safety Communications	Salary & Benefits	13,370.70	6,503.09	
	Internal Services	576.83	566.11	
	Contractual & Other Services	2,298.25	1,309.59	
	Reserves & Contingencies	(21.25)	0.00	
	16,224.54	8,378.80	51.64%	
Sheriff	Salary & Benefits	14,749.28	7,289.57	
	Internal Services	1,313.73	1,045.43	
	Contractual & Other Services	962.55	464.15	
	Reserves & Contingencies	(8.27)	(4.07)	
	17,017.29	8,795.08	51.68%	




Notable Variances

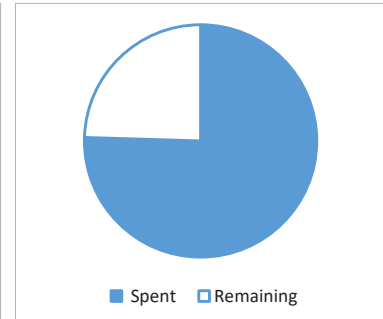
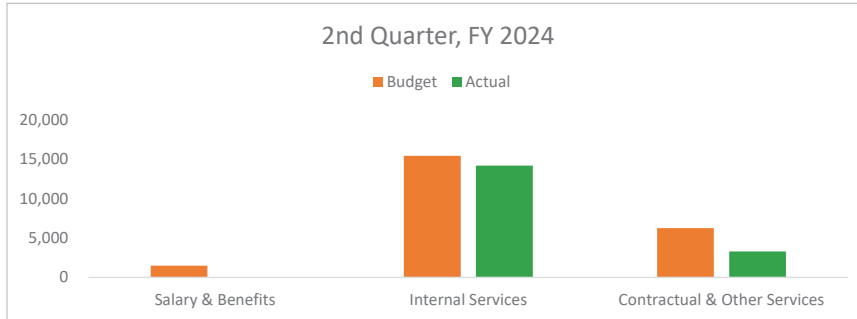
Technology Internal Service Charges - After accounting for technology internal service charges billed for the entire fiscal year, the percent of budget spent through the second quarter is as follows: Circuit Court Clerk (49.9%), Circuit Court Judges (49.4%), Criminal Justice Services (49.2%), Fire & Rescue (49.8%), Magistrates (48.9%), Police (50.5%), Public Safety Communications (49.9%), and Sheriff (49.3%).

- General District Court** - Salary & Benefits is underspent due to the local salary supplement support budgeted for a 7% increase effective July 1st. However, the General Assembly did not complete the FY2024 State amendments budget until September 2023, with implementation of the increase in December of 2023. General District Court and Office of the Public Defender both receive a local salary supplement under the General District Court budget. Contractual & Other Services is underspent due to encumbrances of \$0.04 million that will be captured later in the year.
- Juvenile Court Service Unit** - Salary & Benefits is underspent due to the local salary supplement support budgeted for a 7% increase effective July 1st. However, the General Assembly did not complete the FY2024 State amendments budget until September 2023, with implementation of the increase in December of 2023. Contractual & Other Services is underspent due to encumbrances of \$0.2 million that will be captured later in the year.

Non-Departmental

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Non-Departmental	Salary & Benefits	1,476.07	20.48	
	Internal Services	15,448.98	14,183.89	
	Contractual & Other Services	6,251.05	3,287.59	
	Reserves & Contingencies	0.00	0.00	
	23,176.10	17,491.96	75.47%	




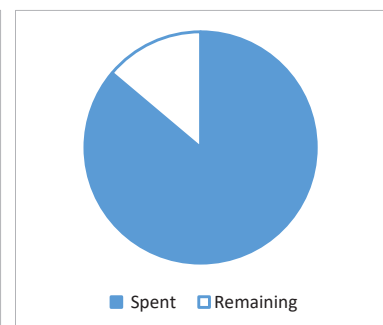
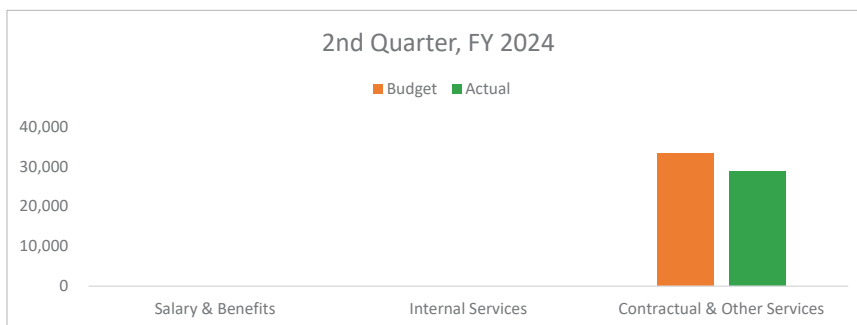
Notable Variances

1. **Non-Departmental** - The following significant payments were made during the first half of the fiscal year: Self-Insurance Workers Compensation (\$6.4M), Countywide Information Technology internal service costs (\$4.8 million), Self-Insurance Casualty Pool (\$3.0M), Property and Miscellaneous Insurance Premiums (\$0.6M), Hylton Performing Arts Center Contribution (\$2.0M), and Northern Virginia Community College Contribution (\$0.6M).

Debt Service

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Debt Service	Salary & Benefits	0.00	0.00	
	Internal Services	0.00	0.00	
	Contractual & Other Services	33,373.18	28,745.51	
	Reserves & Contingencies	0.00	0.00	
	33,373.18	28,745.51	86.13%	



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
Prince William, VA 22192

www.pwcva.gov