

PRINCE WILLIAM — COUNTY

Revenue and Expenditures Report



FY 2022

4th Quarter

Published 8/15/22

PRINCE WILLIAM COUNTY

4th Quarter FY 2022 Revenues

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

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

FY 2022 pre-close and unaudited general revenues are expected to produce a surplus of \$64.5 million from the adopted FY 2022 budget as follows:

General Revenue Sources	Prior Year FY 2021	Current Year FY 2022						
	Year-End	Adopted	Q1 Revised	Q2 Revised	Q3 Revised	Q4 Preliminary Unaudited	\$ Change Q4/Adopted	% Change Q4/Adopted
Real Property Tax	\$727,711,357	\$763,024,000	\$762,310,000	\$762,310,000	\$763,064,000	\$769,108,695	\$6,084,695	0.80%
Personal Property Tax	222,104,595	227,051,000	251,670,000	251,670,000	253,742,000	255,111,005	28,060,005	12.36%
Motor Vehicle License Tax	12,549,722	12,000,000	12,000,000	12,000,000	12,500,000	12,813,864	813,864	6.78%
Local Sales Tax	80,111,594	74,150,000	82,500,000	82,500,000	82,500,000	89,080,485	14,930,485	20.14%
Consumer Utility Tax	13,266,498	13,540,000	13,540,000	13,540,000	14,900,000	15,278,138	1,738,138	12.84%
Communications Sales and Use Tax	13,560,708	14,180,000	13,000,000	13,000,000	13,000,000	12,780,818	(1,399,182)	-9.87%
BPOL Tax	29,882,073	22,375,000	28,000,000	28,000,000	32,000,000	32,910,130	10,535,130	47.08%
Investment Income	7,804,185	5,750,000	6,000,000	6,000,000	6,500,000	6,785,837	1,035,837	18.01%
All Other Revenue	29,791,496	13,831,000	11,735,000	11,735,000	15,269,000	16,491,007	2,660,007	19.23%
TOTAL GENERAL REVENUES	\$ 1,136,782,231	\$ 1,145,901,000	\$ 1,180,755,000	\$ 1,180,755,000	\$ 1,193,475,000	\$ 1,210,359,978	\$ 64,458,978	5.63%

In accordance with the Board of County Supervisors' adopted Principles of Sound Financial Management, any general revenue surplus, once audited by the County's external auditors, will be applied in the following order:

1. Maintain unassigned fund balance at the required 7.5% of general fund revenues;
2. Split with the School Division in accordance with the County-School Revenue Sharing Agreement;
3. Maintain the revenue stabilization fund reserve at the required 2% of general fund revenues;
4. Maintain the capital reserve at the required 2% of capital projects fund appropriations;
5. Replenish the economic development opportunity fund (EDOF) reserve to the \$3 million required year-end balance; and
6. Add any remaining surplus to the capital reserve to support the County's triple-AAA/Aaa bond rating and provide a funding source to meet the 10% cash-to-capital requirement and support the County's Six-Year Capital Improvement Program to minimize the need for additional borrowing.

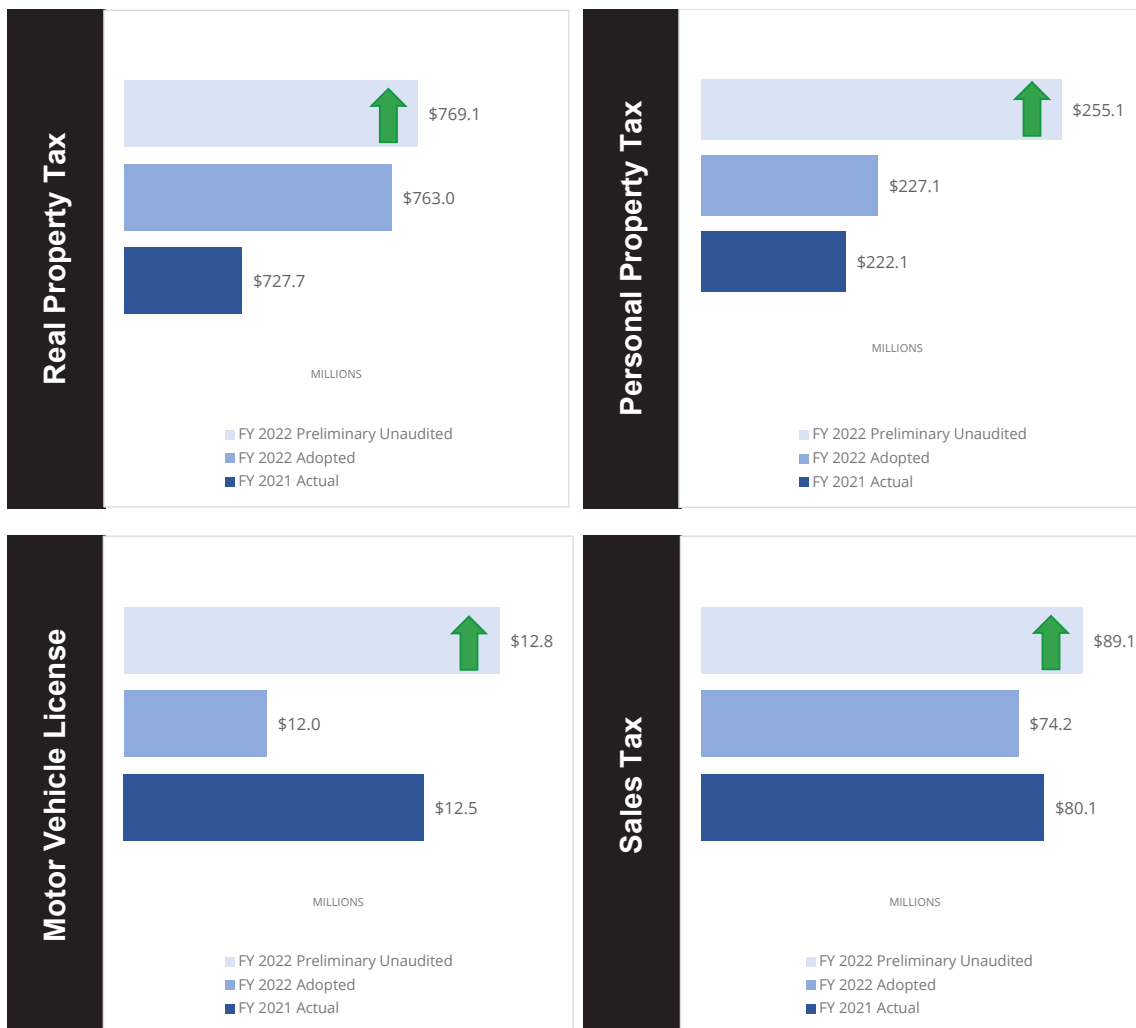
Revenues At-A-Glance

Variances from the FY 2022 Adopted Budget are as follows:

Real Property Tax received and recorded on a net basis is \$769 million, a surplus of \$6.1 million. The surplus was propelled by lower than anticipated real estate exonerations versus the forecast. Leading into FY 2022 staff believed a combination of data center appeals and possible changes implemented by the Board of Equalization could drive exonerations higher compared to FY 2021, but neither scenario fully materialized.

Personal Property Tax revenue received and recorded is \$255.1 million, a surplus of \$28.1 million. The surplus is supported by an increase in new taxable business tangible property, led by continued growth in the data center industry. Furthermore, a surge in assessed values for vehicles during 2021, driven by lean inventory levels, also contributed to the surplus.

Motor Vehicle License Tax revenue received and recorded is \$12.8 million, a surplus of \$800 thousand. The number, and timing, of units entering and exiting the County during any given calendar year has the potential to create fluctuations in total motor vehicle license taxes collected. As the FY 2022 budget season commenced, a conservative projection was put forth based on uncertainty surrounding impacts related to COVID-19. Staff is of the opinion FY 2022 results should be benchmarked against FY 2021



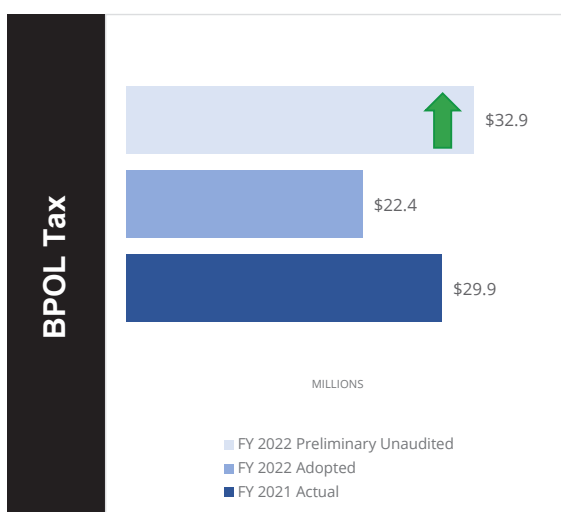
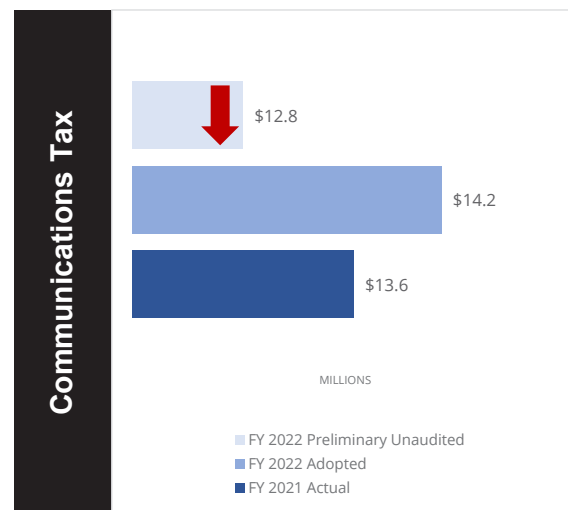
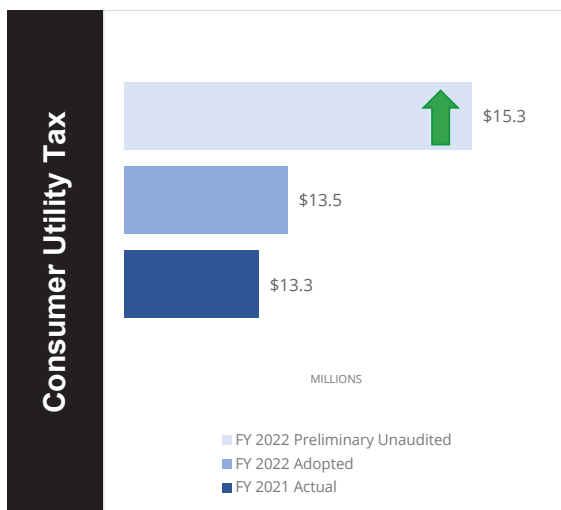
Dollar amounts expressed in millions

receipts to establish a more realistic baseline of revenue growth. When compared to FY 2021 actual collections, revenue received for FY 2022 increased \$264 thousand. The primary driver of the year-over-year gain was a net increase in registered automobiles of approximately 4.4%.

Sales Tax revenue received and recorded is \$89.1 million, a surplus of \$15.0 million. Robust and consistent spending behavior within the Commonwealth, a strong labor market, and a relatively healthy level of aggregate consumer savings all combined to support the trajectory of tax receipts collected throughout FY 2022.

Consumer Utility Tax revenue received and recorded is \$15.3 million, a surplus of \$1.7 million. The volatility of monthly cash flow received during FY 2021, coupled with actual revenue collected of \$13.3 million, led staff to recalibrate the FY 2022 forecast in early 2021 to reflect future uncertainty of utility tax receipts. Payment consistency during FY 2022 reverted to a payment profile similar to FY 2020, which staff believes more closely aligns with actual results.

Communications Tax revenue received and recorded is \$12.8 million, a shortfall of \$1.4 million. Gravitation to mobile technology continues to produce a steady decline in land-line usage which should place additional downward pressure on this revenue source moving forward.



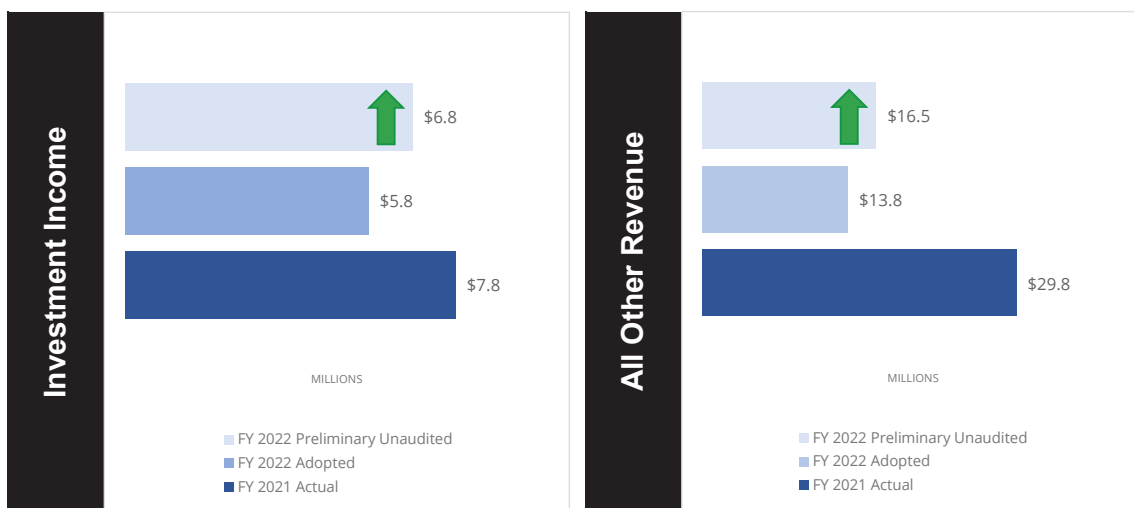
Dollar amounts expressed in millions

Business, Professional and Occupational License (BPOL) Tax revenue received and recorded is \$33.0 million, a surplus of \$10.5 million. The forecast originally developed anticipated BPOL tax to produce \$22.4 million of revenue for FY 2022 based on the challenges COVID-19 could present to business fundamentals. On the heels of FY 2021 collections that totaled \$29.9 million, a business climate that demonstrated steady improvement throughout 2021, and evidence of strong consumer spending, staff revised the second quarter forecast for FY 2022 collections to \$28 million. Based on the timing of BPOL tax payments (due March 1), the third quarter revision and fourth quarter preliminary unaudited results reflect actual revenue collected.

Investment Income received and recorded through May is \$6.8 million. Income collected in April and May place this revenue source on track to reach \$7.5 million for FY 2022, an estimated surplus of \$1.7 million. Attempting to thwart inflationary pressure circulating through the U.S. economy, the Federal Reserve has implemented four increases to the Federal Funds rate since March to a target range of 2.25% - 2.50%. When combined with current market pricing of future rate hikes, the sharp rise in interest rates has improved interest income generation within the County's general portfolio.

All Other Revenue received and recorded is \$16.5 million. The hospitality and tourism sector's steady recovery helped lift Transient Occupancy Tax and Rental Car and Passenger Tax to a surplus of \$432 thousand and \$475 thousand, respectively, while excess savings held by consumers contributed to Bank Franchise Tax generating a \$900 thousand surplus. Additional revenue sources that delivered surpluses included Tax on Deeds: \$749 thousand and BPOL (Public Utility): \$595 thousand.

The Cigarette Tax forecast was originally based on collection activity spanning a full fiscal year. The County was approved to become a member of the Northern Virginia Cigarette Tax Board by the Board of County Supervisors on November 9, 2021. Because the levy of the Cigarette Tax became effective January 1, 2022, revenue received of \$2.1 million for FY 2022 only captures a six-month collection period.



Dollar amounts expressed in millions

Looking Ahead

Economy At-A-Glance

Indicator	Prior ¹ 3/31/2022	Current ¹ 6/30/2022	Trend					Notes
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General

Consumer Price Index (CPI)	8.5%	9.1%	●	■	■	■	■	Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	-1.4%	-0.9%	■	●	■	■	■	Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	0.33%	1.58%	■	■	●	■	■	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	4,530	3,785	■	●	■	■	■	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	3.6%	3.6%	■	■	●	■	■	Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	3.0%	2.8% (P)	■	■	●	■	■	Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.6%	2.8% (P)	■	■	●	■	■	Tracks the number of unemployed persons as a percentage of the total PWC labor force.

Average Weekly Wages ²

National ⁴	\$1,251	\$1,418	■	●	■	■	■	Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia ⁴	\$1,264	\$1,424	■	●	■	■	■	Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County ⁴	\$1,088	\$1,184	■	●	■	■	■	Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.

Employment Establishments ³

Virginia	299,224	303,402	■	■	●	■	■	Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	94,409	94,175	■	■	●	■	■	Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	9,997	10,144	■	■	●	■	■	Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.

Revenue

Retail Sales: National	0.50%	1.00%	■	■	●	■	■	Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	15.2%	13.8%	■	■	●	■	■	Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	12.3%	11.6%	■	■	●	■	■	Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	14.5%	17.8%	■	■	●	■	■	Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.

Vehicles

National Automobile Sales	14.01 M	13.70	■	●	■	■	■	Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
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Real Estate Market: Prince William County

Average Sales Price ⁵	\$551,269	\$576,136	■	●	■	■	■	Reflects the average sold price for a home.
Closed Sales	641	744	■	■	●	■	■	Reflects the number of closed home sales.
Average Days on Market	9	8	■	■	●	■	■	Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	0.37	0.85	■	■	●	■	■	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	258	327	■	■	●	■	■	Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	376	278	■	■	●	■	■	Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	4.6%	4.1%	■	■	●	■	■	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

(R): Revised

(P): Preliminary

⁴ While nominal wages have increased, when adjusted for inflation average hourly earnings have contracted on a year-over-year basis since April 2021.

⁵ A combination of higher mortgage rates and elevated prices have significantly reduced affordability. Recently, Freddie Mac noted that "Purchase demand continues to tumble as the cumulative impact of higher rates, elevated prices, increased recession risk, and declining consumer confidence take a toll on homebuyers."



National, State, and Local Trends

National Calls by some market observers and economists that inflation would peak in early Spring were humbled as price pressures accelerated, predominantly driven by food and energy costs. Adding to the list of challenges faced by The Federal Reserve to rein in 40-year high inflation are monthly core measures of inflation (excludes food & energy) that have remained persistent through the first half of 2022 and a labor market that continues to yield impressive monthly gains. While there have been signals economic conditions are in the early stages of softening, evidenced by a cooling housing market and growing inventories of various goods, feedback obtained from respondents of the most recent Institute for Supply Management survey for manufacturing and services sector activity suggests consumption and demand for labor remains firm in various quarters of the U.S. economy. Regardless of current conditions on the ground that may portray an optimistic near-term outlook, a broad-based slowdown in economic activity is imminent.

The Federal Reserve has set out to quash inflationary pressure by implementing four increases to the Federal Funds rate since March to a current target range of 2.25% – 2.50%. With Federal Open Market Committee members projecting additional rate hikes that would lead to a median Federal Funds rate of 3.75% by 2023, a key question being discussed is whether the Fed can bring inflation under control without triggering a recession. Though the possibility and, more important, profile of a potential recession (shallow/deep, short/prolonged) will certainly be debated in the months ahead, history is not on the side of the Federal Reserve. After examining fifteen tightening cycles dating back to the 1950's, Bloomberg Economics concluded all but five ended in recession. In the meantime, investors and economists will need to cope with bouts of market volatility and potentially conflicting economic data over the next couple quarters to piece together the state of the economy.

Consumer Price Index (CPI) Inflation continued to advance throughout the quarter, culminating with a year-over-year increase in the June CPI of 9.1%. June's print, the highest since November 1981, was preceded by increases of 8.3% and 8.6% during April and May, respectively. Preliminary estimates suggested CPI would be elevated but that did not prevent market observers from being surprised by a higher than anticipated reading. Details from the June report provided limited evidence that inflation is poised to follow a consequential downward trajectory over the near-term, while key ingredients spurring price pressures - food, energy, and shelter - have remained firmly intact. Headline CPI rose 1.3% in June from the previous month, above the consensus estimate of 1.1%. Energy prices were up 7.5% and food increased 1%, contributing approximately 0.6 and 0.1 percentage points, respectively, to headline CPI. Core CPI (excludes energy and food), a better barometer of underlying inflation trends, also accelerated sharply by 0.7% from the previous month. The move higher was driven by escalating service sector price pressures and a broad-based increase in core goods prices. The increase in core services prices of 0.7% in June was driven, in part, by housing costs that continue to rise at the fastest pace in nearly thirty years. Because the Bureau of Labor Statistics incorporates changes in rents with a lag, a year-over-year peak may not be realized until 2023 if the current level of momentum persists. With two measurements of rental housing expense comprising approximately one-third of overall CPI, core inflation stands to receive substantial support from the shelter category until the job market begins to cool significantly. Firm gains were also realized in medical services (0.7%), water and sewer collection (0.4%), and transportation services (2.1%). Despite expectations for softer demand, primarily led by a rotation into services spending, there were few signs of price pressures easing in most goods categories. For the month of June, core goods prices rose 0.8% versus 0.7% in May. Once again, price increases for new vehicles (0.7%) and used vehicles (1.6%) were key drivers, while categories such as apparel (0.8%) and household furnishings (0.5%) also saw strong increases. In the wake of disappointing inflation data for June, Bloomberg Economics offered the following observation – "The one area where inflation was thought to be receding – retail goods categories that had seen demand drop due to a cooling housing market and a shift in consumer tastes – showed no such signs in June. Even if they do so later, they only account for about one-fifth of the consumer price basket. A steep drop in those prices – which is unlikely – would be needed to offset inflation's persistent creep higher in other services categories."

Gross Domestic Product (GDP) Second quarter Gross Domestic Product (GDP) declined -0.9%, below the consensus forecast of a 0.4% gain. Regardless of whether the National Bureau of Economic Research definition of recession has been met, waning consumer momentum may leave the U.S. economy vulnerable to a steeper downturn during the second half of the year if future shocks materialize in the energy sector or cause supply chain disruptions to intensify. Potentially more troubling than the negative GDP print was a decline in final sales to domestic purchasers (excludes inventories and trade) of -0.3%, the first time this measurement has declined since the COVID recession. Inventories represented a drag of roughly two percentage points on headline GDP. The decrease was led by the retail trade sector, primarily general merchandise stores and vehicle dealers. Companies will likely come under pressure to liquidate excess stock as demand cools. Consumer spending decelerated to a 1.0% annualized pace in the second quarter versus 1.8% for the prior quarter. Service sector spending of 4.1%, led by healthcare and accommodation, prevented consumer spending from slipping into negative territory as demand for goods fell -4.4%. While overall consumption growth fell roughly in line with expectations, the composition of consumer spending and fading momentum pose downside risks to economic growth during the second half of this year. The largest decline within the GDP basket was the residential investment component, falling -14.0% and emblematic of a rapidly cooling housing market. A combination of higher mortgage rates and elevated prices have reduced housing affordability to levels last seen in 2006.

Labor Market The June jobs report confirmed the labor market remains, at present, on firm footing and will empower the Fed to maintain an aggressive inflation fighting posture. Details from the report indicated job gains were broad-based and that hiring momentum has begun to shift to the services sector. Nonfarm payrolls increased 372 thousand in June, preceded by gains of 384 thousand in May and 368 thousand in April. Though the unemployment rate held steady at 3.6%, the result was driven primarily by a reduction in the labor force of -353 thousand and a decline of -315 thousand in the number of employed workers. Consequently, the participation rate fell to 62.2% from 62.3% in May. Estimates suggest had the participation rate remained steady, the unemployment rate would have risen to 3.9%. Despite layoffs in certain industries, such as manufacturing, Americans have been able to secure new employment relatively quickly as hiring strength has begun to rotate into the service sector. The private service sector added 333 thousand jobs, primarily in education and health care (96k) and leisure and hospitality (67k). While jobless claims have been creeping higher in recent weeks, overall claims remain low, providing a measure of confirmation unemployed workers have not had much difficulty finding new jobs. The 0.3% gain in average hourly earnings in June decreased slightly from May's 0.4% reading. Measured year-over-year, average hourly earnings growth slowed to 5.1% in June from 5.3% the prior month. Despite the presence of income growth within the labor market, current data implies labor costs have peaked. Adjusted for inflation, average hourly earnings have contracted on a year-over-year basis since April 2021. With a current year-end median inflation forecast of 7.5%, declining purchasing power will continue.

Retail Sales Retail spending data during June indicates consumers have found ways to cope with inflationary pressure, whether through dipping into savings or switching jobs. While sales increased in nominal terms, real spending fell as inflation surged, particularly at the gas pump and grocery store. Nominal retail sales rose 1.0%, a modest increase over the consensus estimate of 0.9%. After revisions, total sales were not as weak in May as originally estimated. The revised figure for May was -0.1% versus the original print of -0.3%. Control group sales, (excludes receipts from automobile dealers, building materials retailers, food services, and gas stations), which provide a clearer signal of underlying trends, rose 0.8% in June but were revised to -0.3% in May from 0.0%. Within the control group sales component, strength was exhibited during June in nonstore sales (2.2%), sporting goods and other recreational items (0.8%), and furniture and furnishings (1.4%). Partially offsetting the overall gain were declines in department store sales (-2.6%), clothing stores (-0.4%) and general merchandise stores (-0.2%), pointing to a decay in discretionary purchases. Generally, inflation has continued to be a key driver behind fledgling weakness in the retail sales space. On an inflation adjusted basis, estimates suggest real retail sales fell roughly -1.0% in June and approximately -3.5% for the quarter.

Automobile Industry The National Automobile Dealers Association (NADA) reported Seasonally Adjusted Annual Rate (SAAR) new light-vehicle sales of 13.7 million units through June, a decline of -19.1% from the same period last year. For the quarter ended June 30, the SAAR sales total of 13.4 million units represented a decrease from the prior quarter tally of 14.1 million vehicles. The primary issue that has plagued the industry for the better part of eighteen months has remained unchanged - inventory levels have been unable to meet existing demand, limiting sales. According to Wards Intelligence, inventory at the beginning of June was down 25% year-over-year, less than one-third the pre-pandemic level. New vehicle supply challenges have allowed manufactures to continue reducing incentive spending, maintaining upward pressure on prices. J.D. Power estimates average spending per unit is anticipated to total \$930 in June, a decline of 59.4% from June 2021. The combination of Original Equipment Manufacturers (OEM) prioritizing the production of more expensive vehicles and reduced incentive spending is expected to push the average transaction price to a record high in June of \$45,844, an increase of 14.5% from the prior year. As new vehicle supply challenges have persisted, consumers have seen a steady increase in the average trade-in equity for their vehicles. J.D. power anticipates the average equity on a trade-in will reach a record high of \$10,381, a 49.2% increase from June of last year and the first time this metric has exceeded \$10,000. Supply chain issues have caused OEMs to park nearly completed vehicles while parts necessary to finish the production process – such as microchips – await delivery from suppliers. NADA is of the opinion new vehicle production and final sales to consumers will be limited for the remainder of 2022 by supply chain constraints. A silver lining that may provide time for OEMs to work through production issues is the presence of higher borrowing costs to finance the purchase of a vehicle since the Federal Reserve began raising interest rates in March. Although, the existence of this condition will present yet another sales headwind to the industry leading into 2023.

State Based on preliminary data, the Commonwealth reported a budget surplus of \$1.9 billion for fiscal year 2022, driven by general fund revenues that rose 16.3% versus fiscal year 2021. Sales tax and payroll withholding collections, which account for 69% of total revenues, were \$193.5 million above the FY 2022 forecast. Individually, sales tax receipts increased 9.4% compared to a 6.5% projected growth rate while payroll withholding collections grew 9.5% versus the forecast of 6.5%. Corporate income tax collections rose 30.5%, down modestly from a projected increase of 32.6%. Once the year-end close has been completed, a comprehensive accounting of all final revenue sources is expected to be released on August 19 when Governor Youngkin will address the Joint Money Committee. “While I am pleased that our additional revenue can be reinvested in Virginia, the Commonwealth’s general fund revenue surplus confirms that Virginians have been overtaxed for way too long,” said Governor Youngkin. “We have a lot of work left to do to recover from the pandemic, but Virginia’s economy is demonstrating promising economic and company growth with major companies such as Boeing and Raytheon moving their headquarters to Virginia and the LEGO Group selecting the Commonwealth for its U.S. manufacturing plant.” Virginia’s seasonally adjusted unemployment rate fell to 2.8% in June, 1.2 percentage points below the rate from the same period one year ago. The Virginia Employment Commission’s June report disclosed Virginia’s labor force increased by 6,250 workers to 4,353,465, while the number of unemployed residents decreased by 7,542 to 121,273. The Commission reported employment increased during June in nine of eleven major categories, led by job gains in leisure and hospitality (3,400), education and health services (3,000) and finance (1,900). The largest number of jobs lost occurred in government (-15,000), followed by miscellaneous services (-1,500).

Local Following national and state trends, widespread demand for workers has propelled Prince William County’s labor market recovery over the past twenty-four months. After reaching a current year low of 2.4% in April, the County’s unemployment rate for June rose to 2.8% from 2.6% in March. The modest increase in the unemployment rate can be attributed, in part, to a labor force that grew on a quarter-over-quarter basis to 247,233 from 246,226. While the availability of granular data to assess the overall state of the County’s job market are 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 566 compared to 425 for the prior quarter, an indication, for the time being, labor market conditions remain relatively tight.

While acute health impacts from COVID-19 have begun to recede, challenges faced by many members of the community in the wake of the pandemic remain. Prince William County Government has persistently served residents and businesses by seeking available avenues to disburse the County's allocation of funds issued by the U.S. Government to support relief efforts. On June 9, the County received the second, and final, \$45.7 million installment of federal funds issued through the American Rescue Plan Act of 2021 (ARPA). Following Staff recommendations, the Board of County Supervisors voted on June 7, 2022 to allocate a portion of the second installment of ARPA funds to the capital projects funds for various community parks projects, Emergency Operations Center renovations, broadband/infrastructure, as well as revenue replacement and other community-benefiting initiatives.

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 June 2022 and June 2021.

Category	June 2022	June 2021	Increase/(Decrease)
Median Sold Price	\$542,500	\$482,000	12.5%
Units Sold	744	1,020	-27.1%
Active Listings	634	451	40.6%
Average Days on Market	8	7	14.3%
New Listings	973	1,157	-15.9%

Mortgage rates rose sharply during the quarter as the bond market began to price in the future path of Federal Funds rate increases the Federal Reserve would implement to quell inflationary pressure circulating through the U.S. economy. Before advancing to a current year high of 5.81% on June 23, Freddie Mac's weekly Primary Mortgage Market Survey indicated the average 30-year fixed rate mortgage at the beginning of the quarter was 4.72%. Recently, Freddie Mac noted that "Purchase demand continues to tumble as the cumulative impact of higher rates, elevated prices, increased recession risk, and declining consumer confidence take a toll on homebuyers." Virginia Realtors monthly Flash Survey indicated buyer activity during June continued to slow. The organization's Buyer Activity Index fell to 48 in June from a reading of 56 in May and marked the third consecutive monthly decline. The June print represents the first time the index dropped below 50, an indication more survey respondents conveyed the level of buyer activity as "low to very low" compared to "high to very high." 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 39 in June from 45 the previous month. A mere 13% of survey participants thought buyer activity over the next three months would be strong in their respective markets.

Commercial Sector For the quarter ended June 2022, Costar Realty Group (Costar) reported the County's commercial inventory included 50.4 million occupied square feet (sq. ft.) of space in 2,025 buildings with 2.1 million sq. ft. of vacant space. Virginia Realtors most recent commercial real estate report noted that as workers have begun to return to the office and consumers have spent more in brick-and-mortar stores, commercial vacancies in Virginia have exhibited a tightening trend, absorption has risen, and deliveries and new construction have been firm.

PRINCE WILLIAM COUNTY

4th Quarter FY 2022 Expenditures

General Information

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

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

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

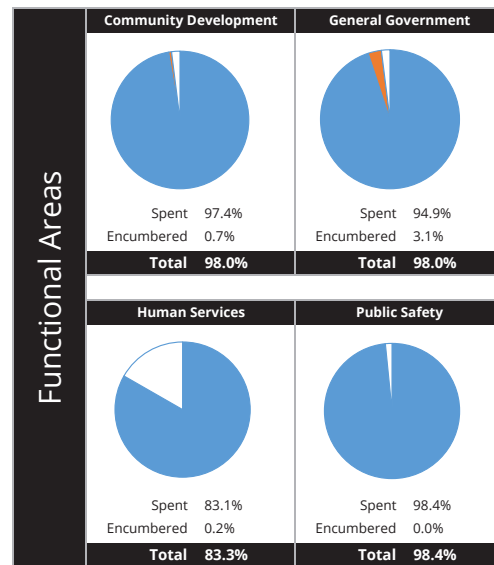
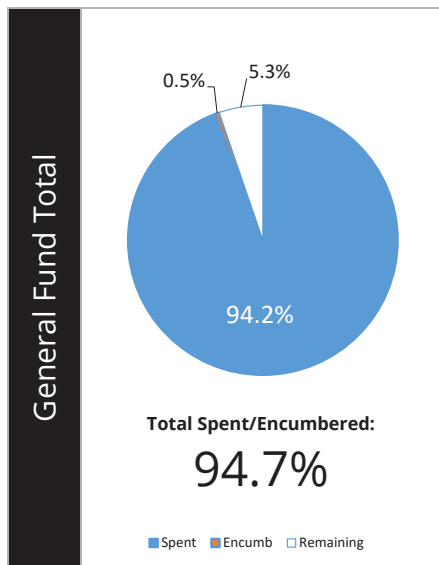
In accordance with State Code, the County cannot exceed the annual legal appropriation. As a result, the County general fund budget will always have a year-end surplus.

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

Fourth Quarter Summary

1. ***General Fund Reporting*** – This report includes only unrestricted general fund expenditures. It does not include restricted funds within the general fund such as recordation tax designated for mobility, transient occupancy tax mandated for tourism, cable franchise capital grant, proffers, grants, or criminal forfeitures.
2. ***Revised FY 2022 Budget*** – As of June 30, 2022, the revised County government unrestricted general fund budget, excluding transfers, was \$678.3 million.

3. *Fourth Quarter General Fund Expenditures* – As of June 30, 2022, 94.2% of the expenditure budget was spent.
4. *Remaining Encumbrances in FY 2022* – An additional \$3.4 million of the pre-audit general fund expenditure budget was obligated for encumbrances. Therefore, 94.7% of the FY 2022 expenditure budget was either spent or obligated for encumbrances in the fiscal year.
5. *FY2022 Unrestricted General Fund Expenditure Savings* – **The County government pre-audit unrestricted general fund expenditure savings is \$35.7 million or 5.3% of the final budget.** Please note agency expenditure savings are offset by projected agency revenue shortfalls detailed below.
6. *Agency Revenue Shortfall* – **General fund agency revenue is projected to be \$18.0 million below budget.** The largest agency revenue shortfall occurs in the Human Services functional area which is projected to be \$13.5 million below budget due to Social Services special education private day school placements as well as Community Services reimbursements from the Commonwealth significantly reduced. Additionally, revenue received by the Department of Parks, Recreation, and Tourism (DPRT) is projected to be \$2.3 million below budget. DPRT revenue has improved over FY 2021 (a \$5.1 million revenue shortfall) but has not fully recovered to pre-pandemic levels. Lastly, court fines received by the General District Court is projected to be \$1.5 million below budget.
7. *Pre-audit General Fund Operating Surplus* – **Excluding general revenue, the net general fund operating surplus from agency operations is \$17.7 million** (\$35.7 million expenditure savings less \$18.0 million agency revenue shortfall). This represents 2.6% of the general fund budget.
8. *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.
9. *FY 2022 Operating Surplus* – Upon completion of the external audit, the FY 2022 operating surplus will be available for sustaining fund balance and reserve requirements identified in the Principles of Sound Financial Management.




*Totals may not add due to rounding

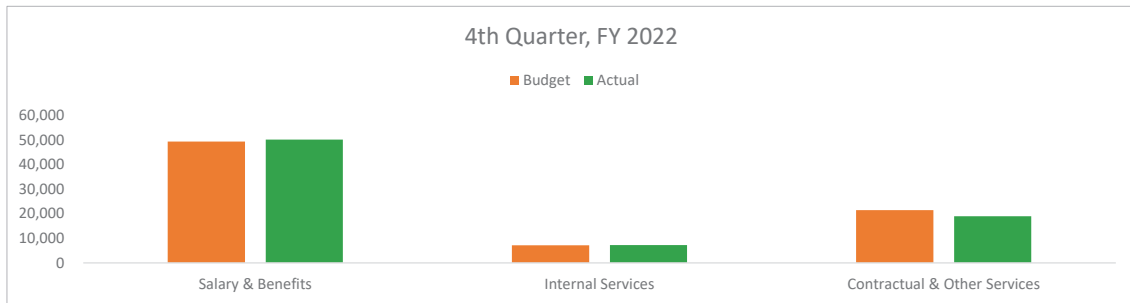
Community Development Functional Area

(Dollar amounts expressed in thousands)

Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
Community Development	Salary & Benefits	49,364.59	50,190.27	
	Internal Services	7,160.00	7,264.02	
	Contractual & Other Services	21,448.49	19,021.79	
	Reserves & Contingencies	(3,420.35)	(3,895.98)	
	74,552.73	72,580.10	97.35%	




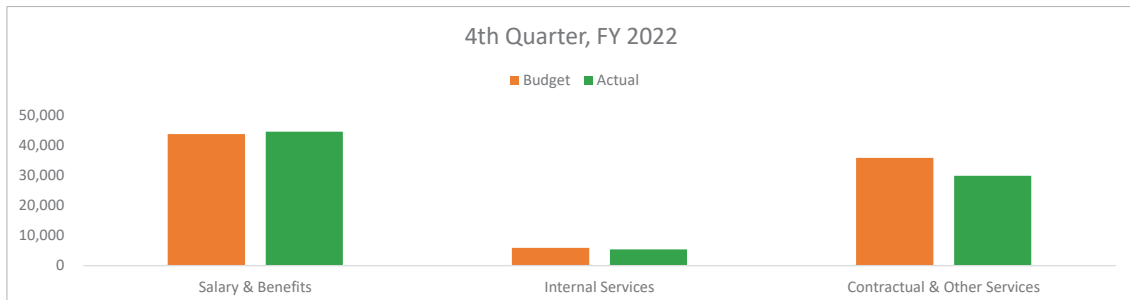
General Government Functional Area

(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 %
General Government	Salary & Benefits	43,911.69	44,671.60	
	Internal Services	5,927.31	5,415.89	
	Contractual & Other Services	35,969.67	29,948.68	
	Reserves & Contingencies	(3,925.61)	(2,313.39)	
	81,883.07	77,722.78	94.92%	




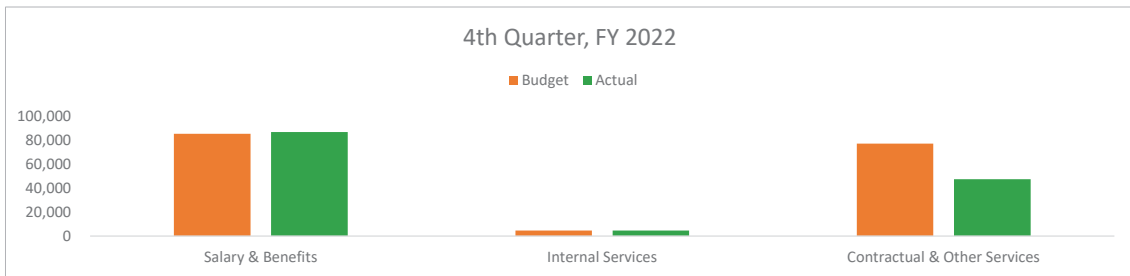
Human Services Functional Area

(Dollar amounts expressed in thousands)

Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
Human Services	Salary & Benefits	85,353.15	86,687.46	
	Internal Services	4,598.37	4,636.81	
	Contractual & Other Services	77,035.10	47,448.78	
	Reserves & Contingencies	0.00	0.00	
	166,986.62	138,773.05	83.10%	




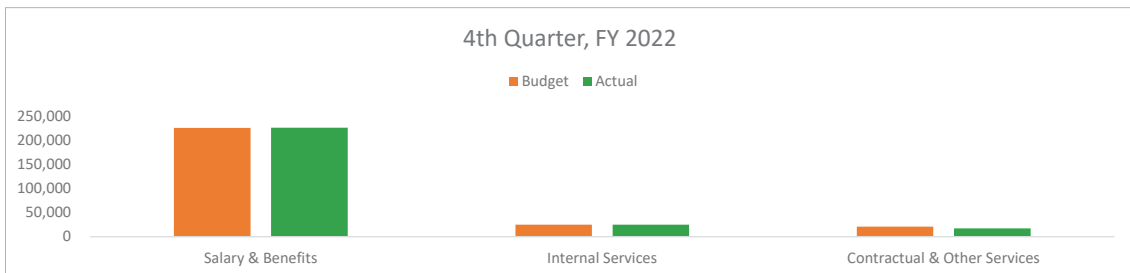
Public Safety Functional Area

(Dollar amounts expressed in thousands)

Departments & Agencies







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

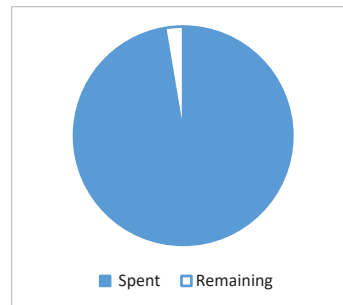
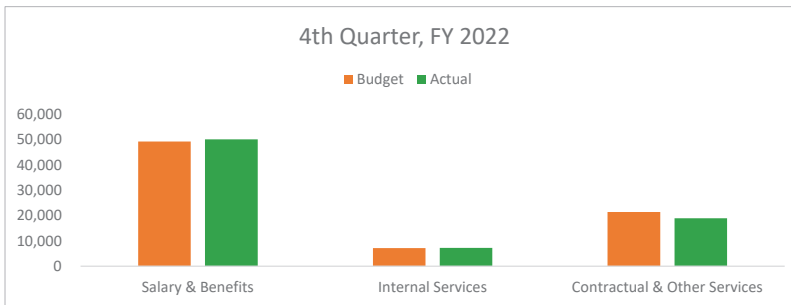
Functional Area	Spending Category	Budget	Actual	Spent %
Public Safety	Salary & Benefits	226,678.06	227,079.67	
	Internal Services	25,312.02	25,152.53	
	Contractual & Other Services	20,842.92	17,224.20	
	Reserves & Contingencies	900.00	(48.57)	
	273,733.00	269,407.82	98.42%	



Community Development Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Economic Development	Salary & Benefits	2,526.02	2,716.03	
	Internal Services	83.07	82.58	
	Contractual & Other Services	2,098.70	1,863.99	
	Reserves & Contingencies	0.00	0.00	
	4,707.79	4,662.60	99.04%	
Library	Salary & Benefits	14,721.23	14,638.67	
	Internal Services	1,188.79	1,188.70	
	Contractual & Other Services	3,336.27	3,302.54	
	Reserves & Contingencies	0.00	0.00	
	19,246.29	19,129.91	99.40%	
Parks, Recreation & Tourism	Salary & Benefits	24,024.02	23,823.02	
	Internal Services	2,632.96	2,845.85	
	Contractual & Other Services	11,193.49	9,788.21	
	Reserves & Contingencies	(154.00)	(0.31)	
	37,696.48	36,456.77	96.71%	
Planning	Salary & Benefits	1,409.80	1,340.19	
	Internal Services	2,081.37	2,076.77	
	Contractual & Other Services	1,366.59	1,310.96	
	Reserves & Contingencies	0.00	0.99	
	4,857.77	4,728.91	97.35%	
Public Works	Salary & Benefits	2,925.27	3,103.78	
	Internal Services	968.66	885.39	
	Contractual & Other Services	944.60	744.40	
	Reserves & Contingencies	(168.49)	(174.92)	
	4,670.03	4,558.66	97.62%	
Transportation	Salary & Benefits	3,758.25	4,568.56	
	Internal Services	205.16	184.72	
	Contractual & Other Services	2,508.84	2,011.69	
	Reserves & Contingencies	(3,097.86)	(3,721.74)	
	3,374.38	3,043.24	90.19%	












Notable Variances

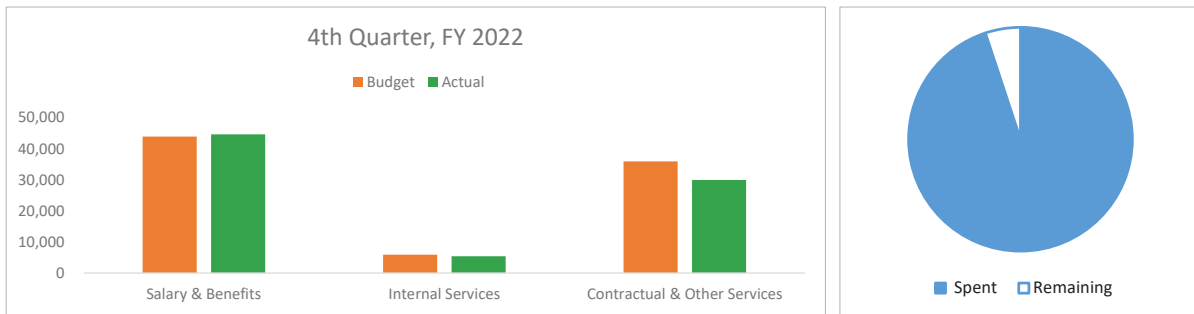
- Parks, Recreation & Tourism** - Contractual & Other Services is underspent due to managing agency revenue shortfalls for FY22 as a result of reduced operating capacity.
- Transportation** - Cost recovery exceeded budget by \$562.5K. Additionally, Contractual & Other Services was underspent.

General Government Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Board of County Supervisors	Salary & Benefits	3,182.40	2,954.43	
	Internal Services	135.18	135.12	
	Contractual & Other Services	1,693.43	1,464.42	
	Reserves & Contingencies	0.00	0.00	
	5,011.01	4,553.96	90.88%	
County Attorney	Salary & Benefits	4,057.68	4,086.43	
	Internal Services	108.32	107.88	
	Contractual & Other Services	188.14	(7.23)	
	Reserves & Contingencies	(176.93)	(113.40)	
	4,177.21	4,073.68	97.52%	
Elections	Salary & Benefits	1,902.70	1,578.98	
	Internal Services	120.33	123.18	
	Contractual & Other Services	1,474.19	932.92	
	Reserves & Contingencies	0.00	0.00	
	3,497.21	2,635.08	75.35%	
Executive Management	Salary & Benefits	3,841.66	4,231.40	
	Internal Services	178.49	176.16	
	Contractual & Other Services	1,153.35	721.74	
	Reserves & Contingencies	0.00	0.00	
	5,173.50	5,129.30	99.15%	
Facilities & Fleet Management	Salary & Benefits	9,577.99	10,167.75	
	Internal Services	1,369.14	857.83	
	Contractual & Other Services	23,975.13	22,498.03	
	Reserves & Contingencies	(2,535.92)	(1,410.80)	
	32,386.34	32,112.81	99.16%	
Finance	Salary & Benefits	15,485.24	15,750.46	
	Internal Services	3,335.91	3,335.98	
	Contractual & Other Services	5,891.52	2,903.85	
	Reserves & Contingencies	(523.31)	(174.33)	
	24,189.36	21,815.96	90.19%	
Human Resources	Salary & Benefits	3,639.21	3,602.18	
	Internal Services	601.00	601.00	
	Contractual & Other Services	1,433.98	1,360.81	
	Reserves & Contingencies	(689.46)	(614.87)	
	4,984.73	4,949.13	99.29%	
Human Rights Office	Salary & Benefits	734.93	734.93	
	Internal Services	30.86	30.86	
	Contractual & Other Services	62.65	55.00	
	Reserves & Contingencies	0.00	0.00	
	828.44	820.79	99.08%	
Management & Budget	Salary & Benefits	1,489.89	1,565.05	
	Internal Services	48.09	47.87	
	Contractual & Other Services	97.29	19.15	
	Reserves & Contingencies	0.00	0.00	
	1,635.27	1,632.07	99.80%	

General Government Functional Area *(Continued)*








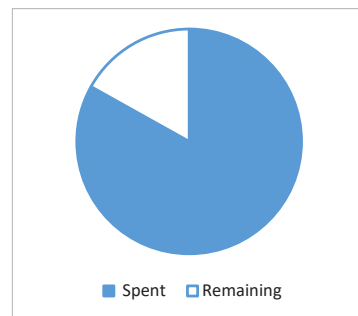
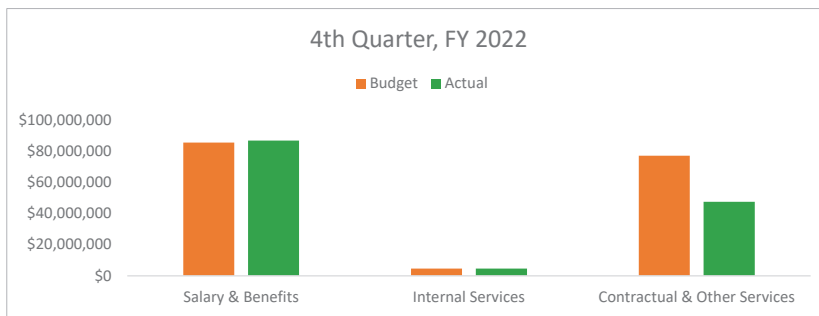
Notable Variances

1. **Board of County Supervisors** - Vacancies across the magisterial districts resulted in an underspend in Salaries & Benefits. Additionally, there was an underspend in Contractual & Other Services due to funding set aside for a professional services contract (Translation Services and Closed Cart and Captioning) and unreceived invoices.
2. **Elections** - Due to vacancies throughout the year and changes made to operational procedures/improvements for redistricting costs, original budgeted projections exceeded actuals.
3. **Finance** - Year end encumbrances of \$1.6M include \$1.4M for the management and implementation of the financial and human capital management systems. Including encumbrances, the percent budget spent is 96.8%.

Human Services Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Aging	Salary & Benefits	3,197.65	3,510.86	
	Internal Services	212.86	206.19	
	Contractual & Other Services	5,046.60	3,677.00	
	Reserves & Contingencies	0.00	0.00	
	8,457.11	7,394.05	87.43%	
Community Services	Salary & Benefits	41,251.97	41,055.56	
	Internal Services	2,352.50	2,364.66	
	Contractual & Other Services	23,539.11	8,184.66	
	Reserves & Contingencies	0.00	0.00	
	67,143.59	51,604.89	76.86%	
Cooperative Extension Service	Salary & Benefits	986.66	903.54	
	Internal Services	87.48	87.49	
	Contractual & Other Services	43.58	28.30	
	Reserves & Contingencies	0.00	0.00	
	1,117.71	1,019.33	91.20%	
Public Health	Salary & Benefits	1,644.16	1,494.22	
	Internal Services	50.85	49.04	
	Contractual & Other Services	3,073.83	3,073.59	
	Reserves & Contingencies	0.00	0.00	
	4,768.84	4,616.85	96.81%	
Social Services	Salary & Benefits	38,272.72	39,723.27	
	Internal Services	1,894.68	1,929.43	
	Contractual & Other Services	45,331.98	32,485.22	
	Reserves & Contingencies	0.00	0.00	
	85,499.38	74,137.93	86.71%	












Notable Variances

- Aging** - Senior Centers and the Adult Day Healthcare center operated at a severely reduced capacity in FY22 due to COVID restrictions related to distancing and capacity in confined spaces. This resulted in under collection of revenue and minimal expenditures for those programs/services. As of July 1 2022, restrictions have been relaxed. Additionally, there was a reduced number of participants in the Veterans program.
- Community Services** - Community Services received additional program funding from Federal and State governments late in the third and fourth quarter which increased the Contractual & Other Services budget. Funding will be re-appropriated in future fiscal years to provide services.
- Cooperative Extension Service** - Contractual & Other Services is underspent due to reduced staff travel as services are offered in a virtual environment and less spending in stationery, office equipment, and other operating supplies.
- Social Services** - The department's underspend is related to the Children's Services Act (CSA) Program. A reduction in CSA services due to the COVID-19 pandemic resulted in a related expenditure savings.




Public Safety Functional Area

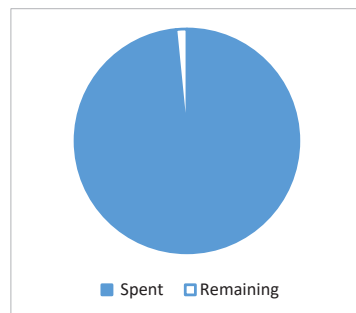
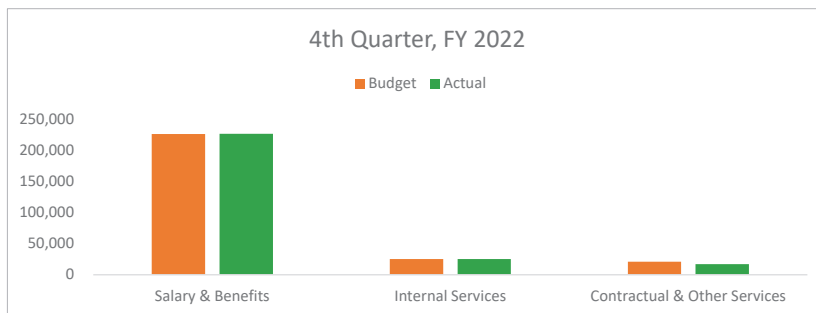
(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Circuit Court Clerk	Salary & Benefits	3,805.91	3,721.99	
	Internal Services	188.70	188.70	
	Contractual & Other Services	825.89	495.24	
	Reserves & Contingencies	0.00	0.00	
	4,820.50	4,405.93	91.40%	
Circuit Court Judges	Salary & Benefits	1,180.37	1,179.43	
	Internal Services	39.21	39.21	
	Contractual & Other Services	90.74	75.23	
	Reserves & Contingencies	0.00	0.00	
	1,310.32	1,293.86	98.74%	
Commonwealth Attorney	Salary & Benefits	6,843.79	6,927.29	
	Internal Services	296.23	291.35	
	Contractual & Other Services	392.11	297.25	
	Reserves & Contingencies	0.00	0.00	
	7,532.13	7,515.89	99.78%	
Criminal Justice Services	Salary & Benefits	4,727.85	4,723.20	
	Internal Services	240.72	232.71	
	Contractual & Other Services	533.41	403.06	
	Reserves & Contingencies	0.00	0.00	
	5,501.99	5,358.96	97.40%	
Fire & Rescue	Salary & Benefits	92,076.71	92,172.01	
	Internal Services	8,751.94	9,059.96	
	Contractual & Other Services	6,296.26	4,254.78	
	Reserves & Contingencies	0.00	0.00	
	107,124.91	105,486.75	98.47%	
General District Court	Salary & Benefits	447.17	473.10	
	Internal Services	48.60	48.60	
	Contractual & Other Services	184.60	68.51	
	Reserves & Contingencies	0.00	0.00	
	680.37	590.21	86.75%	
Juvenile & Domestic Relations Ct	Salary & Benefits	134.90	121.66	
	Internal Services	30.30	30.30	
	Contractual & Other Services	85.04	67.05	
	Reserves & Contingencies	0.00	0.00	
	250.24	219.01	87.52%	
Juvenile Court Service Unit	Salary & Benefits	1,020.89	985.57	
	Internal Services	102.44	99.63	
	Contractual & Other Services	391.24	290.21	
	Reserves & Contingencies	0.00	0.00	
	1,514.57	1,375.42	90.81%	
Magistrates	Salary & Benefits	88.73	88.73	
	Internal Services	15.35	15.35	
	Contractual & Other Services	9.81	7.82	
	Reserves & Contingencies	0.00	0.00	
	113.90	111.90	98.25%	

Public Safety Functional Area (Continued)

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
Police	Salary & Benefits	93,478.10	93,463.30	
	Internal Services	14,190.50	13,763.81	
	Contractual & Other Services	8,758.97	8,603.63	
	Reserves & Contingencies	900.00	0.00	
		117,327.56	115,830.74	98.72%
Public Safety Communications	Salary & Benefits	10,495.01	10,642.53	
	Internal Services	429.15	427.78	
	Contractual & Other Services	2,203.16	1,742.74	
	Reserves & Contingencies	0.00	0.00	
		13,127.33	12,813.05	97.61%
Sheriff	Salary & Benefits	12,378.64	12,580.86	
	Internal Services	978.88	955.13	
	Contractual & Other Services	1,071.68	918.68	
	Reserves & Contingencies	0.00	(48.57)	
		14,429.20	14,406.10	99.84%




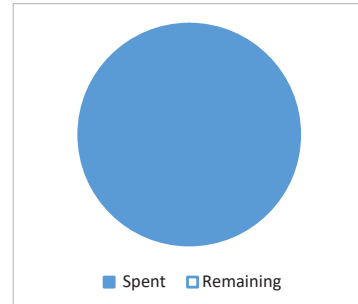
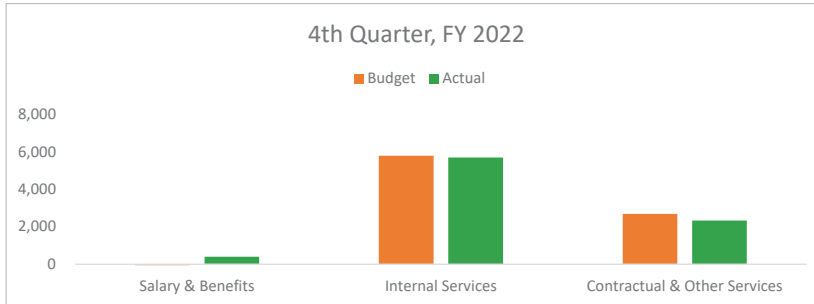
Notable Variances

- General District Court** - Salaries & Benefits is under budget due to vacancy savings from reclassification of positions in the Court and local salary supplement for the Public Defender's Office. The Court has \$32.7K in outstanding encumbrances related to contractual, goods and services for office renovation projects.
- Juvenile & Domestic Relations Court** - Salaries & Benefits is under budget due to vacancy savings. The Court has several year-end expenses that were not captured due to financial system issues in contractual, goods and services.
- Juvenile Court Service Unit** - Salaries & Benefits is under budget due to vacancies. The office has \$24.8K in outstanding encumbrances and invoices related to professional contractual, goods and services not included in the Actual total. Including encumbrances, the percent budget spent is 92.4%.

Non-Departmental


(Dollar amounts expressed in thousands)

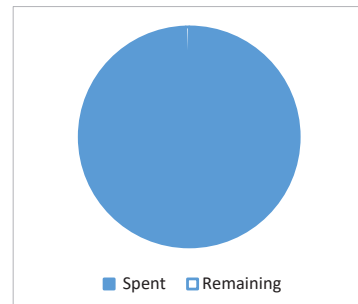
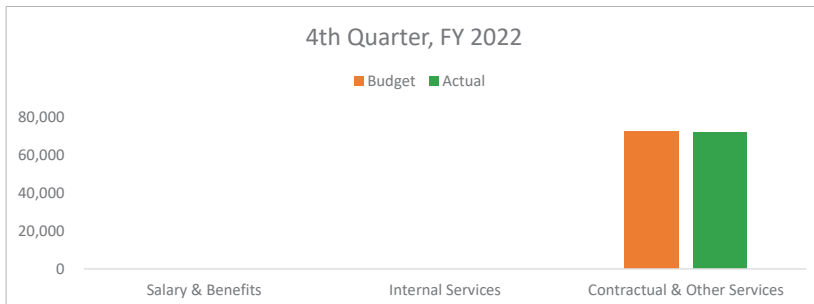
Department	Spending Category	Budget	Actual	Spent %
Non-Departmental	Salary & Benefits	(52.86)	402.28	
	Internal Services	5,797.40	5,701.83	
	Contractual & Other Services	2,693.71	2,334.14	
	Reserves & Contingencies	0.00	0.00	
			8,438.25	8,438.25



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	72,718.75	72,347.25	
	Reserves & Contingencies	0.00	0.00	
			72,718.75	72,347.25





PRINCE WILLIAM — COUNTY

Department of Finance
Office of Management and Budget
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