



**PRINCE WILLIAM**  
COUNTY

# Revenue & Expenditures **REPORT**



1st Quarter  
**FY 2023**

Published 11/15/2022

# PRINCE WILLIAM COUNTY

## 1<sup>st</sup> Quarter FY 2023 Revenues

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

The revised FY 2023 Adopted Budget estimates general revenues to be \$1.26 billion, a \$12.5 million increase over the original adopted budget of \$1.25 billion. This reflects the post-budget-adoption action taken by the Board of County Supervisors in August 2022 to amend the general revenue budget by \$12,500,000 to fund one-time bonuses for employees.

General Revenue Sources	Prior Year FY 2022	Current Year FY 2023			
	Year-End	Adopted Forecast	Q1 Revised	\$ Change Q1/ Adopted	% Change Q1/ Adopted
Real Property Tax	\$770,332,009	\$811,330,000	\$811,330,000	\$0	0.00%
Personal Property Tax	255,618,918	248,900,000	248,900,000	0	0.00%
Motor Vehicle License Tax	12,813,864	12,000,000	12,000,000	0	0.00%
Local Sales Tax *	88,000,334	86,900,000	91,000,000	4,100,000	4.72%
Food and Beverage Tax		24,500,000	30,000,000	5,500,000	22.45%
Consumer Utility Tax	15,278,138	13,675,000	13,675,000	0	0.00%
Communications Sales and Use Tax	12,347,160	12,680,000	12,680,000	0	0.00%
BPOL Tax	32,910,130	29,000,000	29,000,000	0	0.00%
Investment Income	7,638,016	7,650,000	12,000,000	4,350,000	56.86%
All Other Revenue	16,903,868	15,433,000	17,133,000	1,700,000	11.02%
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 1,211,842,438</b>	<b>\$1,262,068,000</b>	<b>\$ 1,277,718,000</b>	<b>\$ 15,650,000</b>	<b>1.2%</b>

\* Note: On August 2, 2022, the Board of County Supervisors approved via Resolution No. 22-391 to budget and appropriate an additional \$12,500,000 million of General Revenues by eliminating the Grocery Tax Repeal provision included in the adopted budget.

As of first quarter, general revenues are expected to produce a surplus of \$15.7 million from the adopted FY 2023 budget by June 30, 2023.

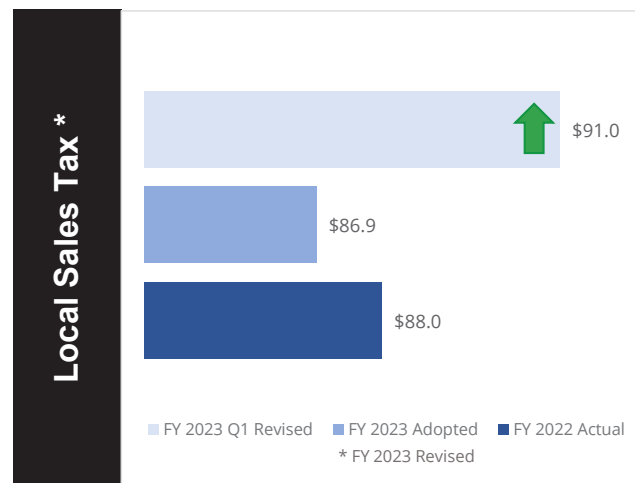
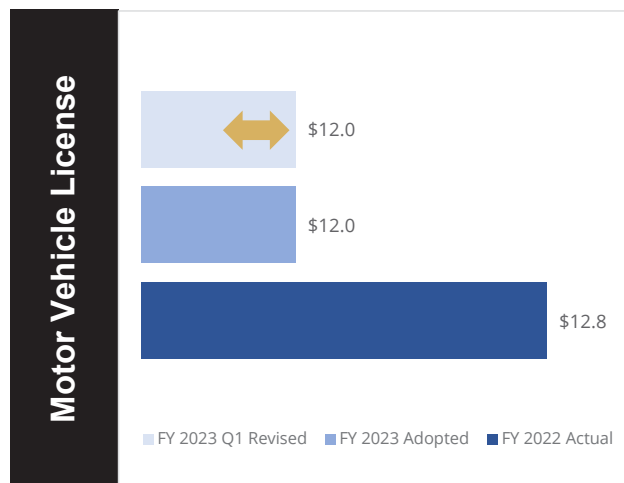
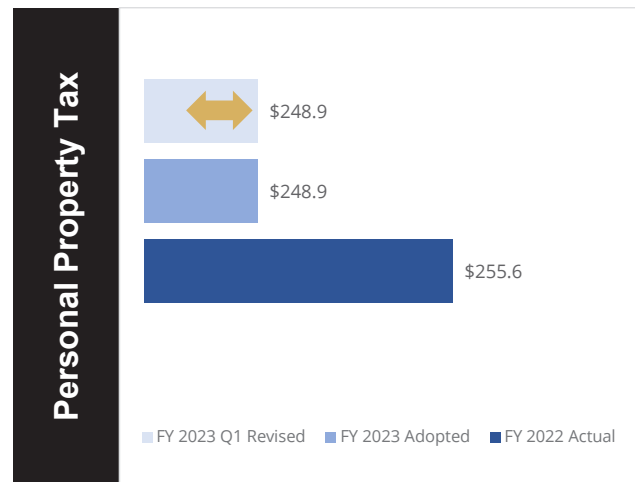
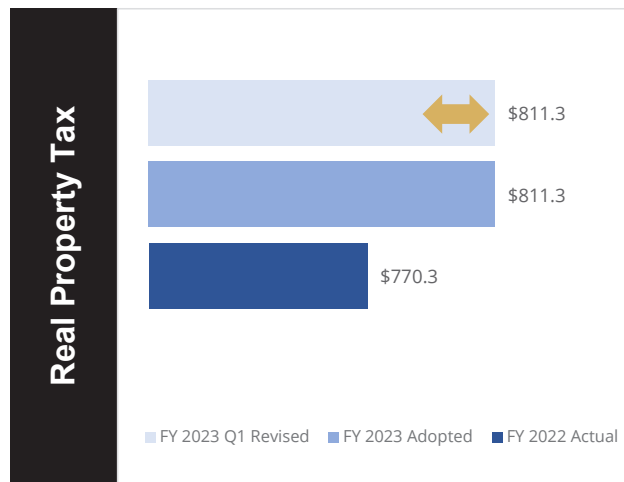
# Revenues At-A-Glance

Variances from the FY 2023 Adopted Budget are as follows:

**Real Property Tax** received and recorded suggests this revenue stream is on course to meet the adopted forecast of \$811.3 million. Real estate tax relief and exonerations, two key components that influence net property tax collected, are being closely monitored to determine if future adjustments are warranted.

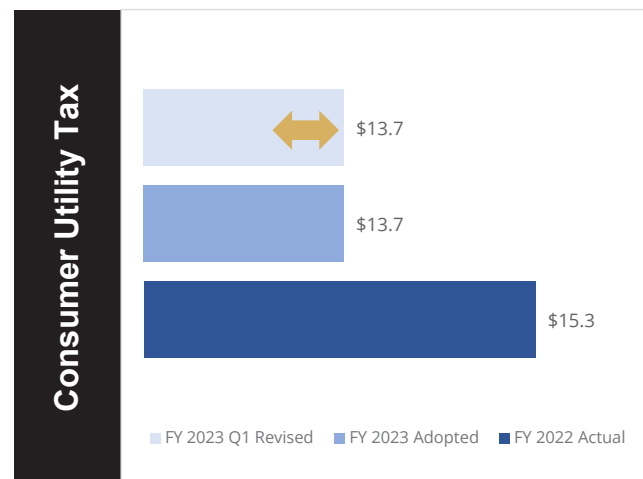
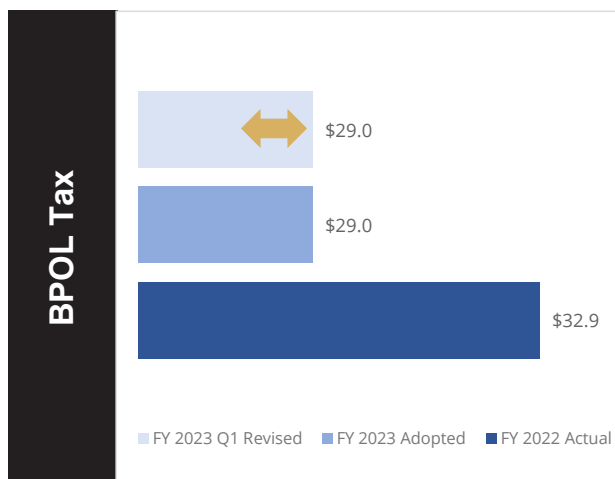
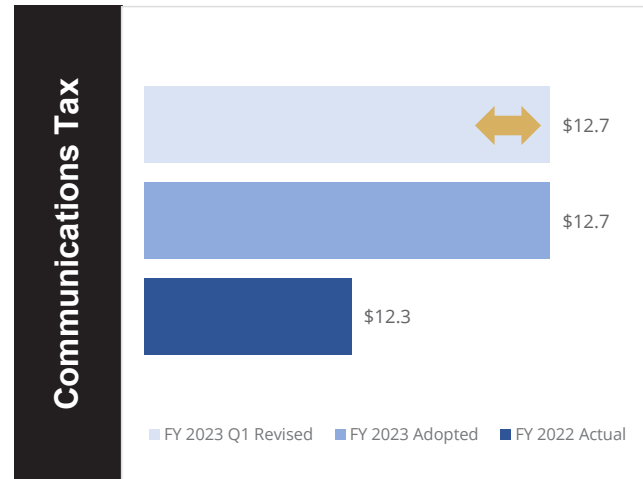
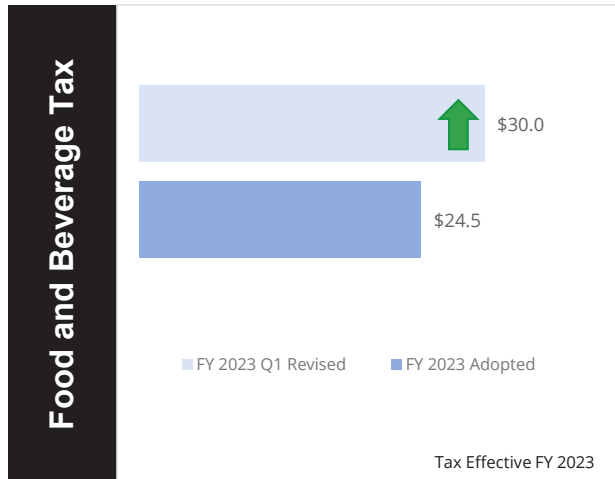
**Personal Property Tax and Motor Vehicle License Tax** are forecast to generate FY 2023 revenues of \$248.9 million and \$12.0 million, respectively. While an October 5 deadline precludes revisions at this time, both revenue streams will be evaluated to determine if future adjustments are warranted. The economic impacts of the COVID-19 pandemic led the Prince William Board of County Supervisors to provide temporary personal property tax relief to residents. The 2022 personal property tax assessment of vehicles utilized an 80% ratio against the assessed value according to the National Automobile Dealers Association (NADA) pricing guide.

**Local Sales Tax** collected during the first quarter is \$23.5 million. The current pace places this revenue stream on a track to generate FY 2023 revenue of approximately \$94.0 million, \$7.1 million above the revised adopted forecast of \$86.9 million. Staff is of the opinion the current presence of firm and consistent spending behavior underpinned by existing strength within the regional labor market are supportive of increasing the FY 2023 sales tax projection to \$91.0 million at this time. If the strong trend continues, a further upward adjustment may be made to the forecast in a subsequent quarter.



Dollar amounts expressed in millions

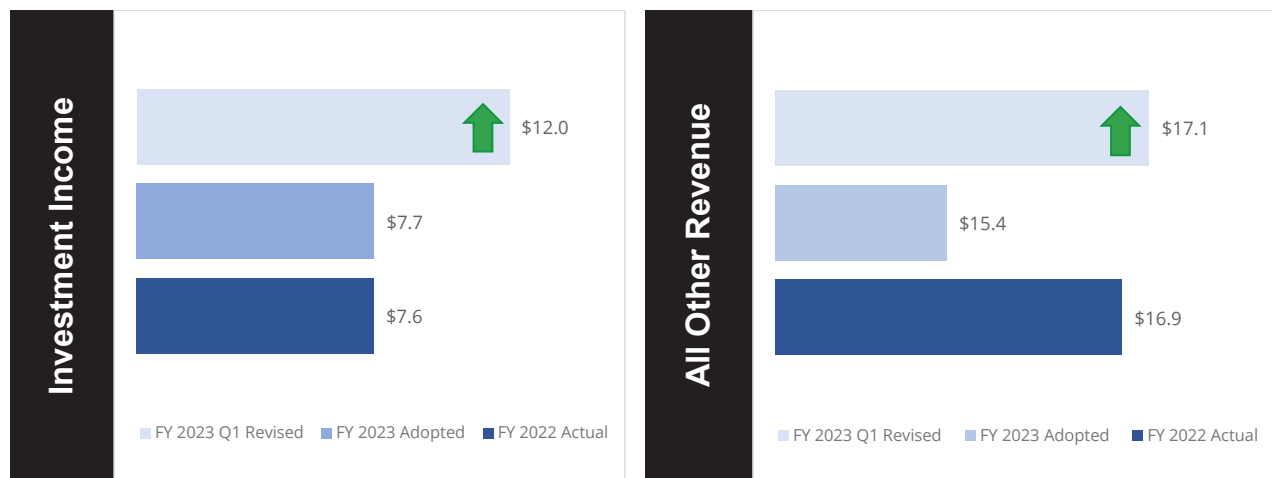
*Food and Beverage Tax* received and recorded during the first quarter is approximately \$9.0 million. The backdrop propelling collections is akin to Local Sales Tax – consistent spending behavior sustained by existing strength within the regional labor market. Staff is of the opinion the dynamics driving the trajectory of receipts are supportive of increasing the FY 2023 Food and Beverage Tax projection to \$30.0 million. The Food and Beverage Tax is a new revenue source that became effective July 1, 2022.



*Dollar amounts expressed in millions*

*Investment Income* received and recorded during the first quarter is \$3.5 million, an annualized pace of \$14.0 million. While inflation appears to have peaked and economic growth has begun to cool, widespread price pressures will not necessarily follow a precipitous decline given the current profile of the labor market, lingering supply chain issues, and geopolitical challenges. The preceding scenario, combined with the Federal Reserve’s prioritization of price stability to reestablish its 2% price target, should sustain the Federal Funds rate above 4% leading into mid-2023. The presence of this condition would fortify current returns on cash/cash equivalent investments and present yield enhancement opportunities in longer duration credit. Staff is of the opinion the current backdrop supports a conservative revision to \$12 million from the adopted forecast of \$7.6 million.

*All Other Revenue* Prior to the Cigarette Tax becoming effective in February 2022, staff sought to understand the potential cash flow characteristics of this revenue stream. Research revealed the long-term collection profile has been unstable for two reasons. One, a decrease in per capita consumption since the Surgeon General’s initial report on the health impacts from smoking was released in 1964. And two, consumers have demonstrated cross-border behavior by purchasing cigarettes in neighboring jurisdictions that have a lower tax rate. Both factors formed the foundation of a conservative FY 2023 forecast. However, nine months of actual receipts indicate revenue is averaging \$400 thousand per month, driven by a high per capita consumption rate that has averaged 1.1 million packs sold per month. Staff is of the opinion the current trajectory of receipts is supportive of raising the annual forecast to \$4.5 million from the adopted forecast of \$3 million.



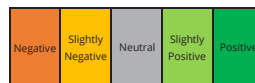
Dollar amounts expressed in millions

# Looking Ahead

## Economy At-A-Glance

Indicator	Current <sup>1</sup> 6/30/2022	Current <sup>1</sup> 9/30/2022	Trend					Notes
<b>General</b>								
Consumer Price Index (CPI)	9.1%	8.2%	●					Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	-0.9%	2.6%			●			Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	1.58%	3.08%			●			Target interest rate set by the Federal Open Market Committee (FOMC). Establishes baseline lending rates and short term rates of return.
S&P 500 Index	3,785	3,585		●				Considered the best single gauge of large-cap U.S. equities. The index contains 500 leading companies and captures approximately 80% of available market capitalization.
<b>Unemployment Rate</b>								
National	3.6%	3.5%			●			Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	2.8%	2.6% (P)			●			Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.8%	2.4% (P)			●			Tracks the number of unemployed persons as a percentage of the total PWC labor force.
<b>Average Weekly Wages <sup>2</sup></b>								
National <sup>4</sup>	\$1,418	\$1,374		●				Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia <sup>4</sup>	\$1,424	\$1,366		●				Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County <sup>4</sup>	\$1,184	\$1,069		●				Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
<b>Employment Establishments <sup>3</sup></b>								
Virginia	303,402	310,760			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	94,175	98,440			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	10,144	10,421			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Prince William County.
<b>Revenue</b>								
Retail Sales: National	1.0%	0.0%		●				Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	13.8%	20.3%			●			Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	11.6%	6.5%			●			Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	17.8%	-5.0%			●			Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
<b>Vehicles</b>								
National Automobile Sales	13.7	13.5			●			Tracks the total number of year-to-date light-vehicle sales in the U.S. on a Seasonally Adjusted Annual Rate basis.
<b>Real Estate Market: Prince William County</b>								
Average Sales Price <sup>5</sup>	\$576,136	\$540,639			●			Reflects the average sold price for a home.
Closed Sales	744	555			●			Reflects the number of closed home sales.
Average Days on Market	8	21			●			Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	0.85	1.35			●			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	327	365			●			Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	278	162			●			Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	4.1%	3.9%			●			Tracks the percentage of vacant store front property by square feet.

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



## National, State, and Local Trends

**National** For months, U.S. policy makers have clearly articulated their commitment to quash inflationary pressure that has shown few signs a consequential decline is forthcoming. But is the restoration of price stability, marked by the Federal Reserve's average annual inflation target of 2%, a realistic outcome in a post-pandemic world? A few of the largest bond investors in the world believe the market should not expect a long-term victory to be claimed in the fight against inflation. Without question, interest rate increases implemented by central banks around the globe will pull down price pressures, not seen in decades by some developed economies, through a slowing of economic growth or igniting recessions. But according to strategists from firms including Pacific Investment Management Co. (PIMCO), Capital Group and Union Investment, declining inflation from peak levels is unlikely to signal a full retracement to price stability of prior years because of distinct shifts in the global economy. As globalization expanded, low labor costs and commodities prices kept inflation contained. Now, the antithesis of that trend has begun to emerge. Oil and gas prices remain elevated as nations dissolve ties with Russia. Tight labor markets have provided workers bargaining power for higher wages. And amid rebuilding fractured supply chains, businesses are examining geopolitical risks to their operations that may weaken a long-standing disinflationary dynamic - moving jobs to low-wage countries.

President Biden's signing of a \$52 billion measure to promote semiconductor manufacturing in the U.S. and Treasury Secretary Janet Yellen's promotion of "friend shoring", or diversifying supply chains among allied countries to protect against disruption, are prime examples of deglobalization tactics. "The last twenty years of the great moderation, that's fully behind us now," said Tiffany Wilding, North American economist at PIMCO. Ms. Wilding anticipates a period of highly volatile inflation as the world adjusts to changes that will "lead to higher input costs in general that should result in a multi-year price level adjustment." While most investors and economists do not expect current levels of inflation to last, the backdrop economies are facing over the next three to five years has yet to be defined. Many investors fear repeated outbreaks in price pressures similar to the 1970s. Flavio Carpenzano, investment director at Capital Group in London, suggests tight labor markets worldwide mean the Federal Reserve will need to induce a large recession and a higher unemployment rate to force inflation down sharply. "Deglobalization is here to stay," Carpenzano said. "This will be inflationary. And this structural inflation is something the Fed can't fight with higher rates." Time will render judgment on the deglobalization theme and whether any fundamental realignment of resources will lead to a new inflation regime. Over the short-term, though, the question that has yet to be answered is will Federal Reserve officials retain a unified and resolute front in their quest to achieve 2% average inflation if core prices (excludes food & energy) remain stubbornly high and the labor market is shedding jobs at a rapid pace. Bloomberg Economics estimates 35 thousand net job losses per month for one year "would correct today's labor-market overheating." But if price pressures have become embedded, "job growth will need to slow even more to bring inflation back to the Fed's 2% target."

**Consumer Price Index (CPI)** Inflation drifted modestly lower throughout the summer, primarily driven by falling gasoline prices. While consumers were granted a measure of relief at the pump, price pressures in various segments of the U.S. economy have remained persistent and are anticipated to remain well above an acceptable level for Federal Reserve officials in the months ahead. A recent Bloomberg survey of private sector economists indicate the median rate of inflation will be 8.0% leading into the end of this year. For the month of September, year-over-year CPI was 8.2%, preceded by increases of 8.3% in August and 8.5% in July. Details from the September report provided scant evidence that inflation is poised to follow a consequential downward trajectory over the near-term, as measurements of core CPI inflation (excludes food and energy) displayed strong gains. Energy prices fell 2.1% in September compared to a 5.0% decline in August, while food prices rose at the same 0.8% pace as the prior month. While core inflation remained flat at 0.6% versus August, the presence of broad-based price pressures surprised to the upside when compared to the consensus estimate of 0.4%. The current pace of monthly core inflation equates to an annualized rate of 7.2%, significantly above the Fed's 2.0% average target. Representing nearly one-third of overall CPI, shelter prices (which are primarily driven by rental housing costs) continued to advance at a brisk pace during September, rising 0.7%. Because the Bureau of Labor Statistics calculation methodology incorporates changes in rents with a lag, a year-

over-year peak may not be realized until the first of 2023 if the current level of momentum persists. But conditions on the ground indicate a cooling trend has begun to take hold. According to Apartment List, rents increased 7.5% in September from the previous year, above pre-pandemic levels, but down from an 18% peak reached at the beginning of the year when vacancies were lower. Igor Popov, the listing platform's chief economist, noted preliminary October data show a drop that has been faster than the typical seasonal decline and would be the steepest in month-over-month data dating back to 2017. The services component of CPI grew 0.8%, the largest monthly gain since August 1990. Other than shelter prices, categories such as motor vehicle repair (1.9%), vehicle insurance (1.6%), medical care (1.0%), and water and sewer (0.7%) were key drivers behind the gain. While services inflation is exhibiting persistence, goods prices are showing signs of moderation amid improving, and in some cases excess, inventory levels. Regardless, the presence of elevated and extensive inflationary pressure can no longer be conveniently explained by a handful of categories or supply chain challenges. Instead, with labor costs representing roughly 50% of U.S. economic output, a reasonable assumption can be made higher wages are being passed through to final prices.

**Gross Domestic Product (GDP)** Positive growth returned to the U.S. economy in the third quarter as GDP rose 2.6%, above the median consensus of 2.4%. A narrowing trade deficit, propelled by an acceleration of exports and a steep decline in imports, provided a boost to headline GDP of 2.8 percentage points. However, falling imports were not a welcome sign for consumers or business investment as the decline in imports was driven by businesses liquidating inventories of unsold goods to cope with slowing demand. And despite a decline to 1.4% from 2.0% the prior quarter, personal consumption lifted overall GDP growth by 1.0 percentage point. The composition of personal consumption demonstrated an expected deceleration in goods spending of -1.2%, led by vehicles and parts, food and beverages, and gasoline and other energy goods. An increase of 2.8% in services spending partially alleviated the downturn in goods consumption, with categories such as health care, food services and accommodations, and "other" services the primary drivers. But details from the report also revealed signs of a slowdown in components that typically form the foundation of economic momentum. For example, two measurements of spending activity that remove potentially volatile components such as trade, inventory, and government spending exhibited tepid growth. Final sales to domestic purchasers (excludes inventories and trade) rose 0.5%, while final sales to private domestic purchasers (further excludes government spending and investment) increased 0.1%. The largest decline within the GDP basket was the residential investment component, falling -26.4% and emblematic of a rapidly cooling housing market. A combination of higher mortgage rates and elevated prices have reduced housing affordability, resulting in an appreciable curtailment of demand. With the interest rate on a 30-year fixed mortgage hovering at 7.0%, the monthly mortgage payment for the median price of a home has risen to \$2,110 from \$983 in March 2020, placing home ownership out of reach for many Americans.

**Labor Market** The September jobs report confirmed the labor market remains, at present, relatively firm and will empower the Fed to maintain an aggressive inflation fighting posture. While layoffs have begun to emerge in sectors that saw robust gains during the pandemic, such as warehousing and transportation and finance, details from the report suggest the supply of workers is not growing fast enough to adequately suppress wage growth. Nonfarm payrolls increased 263 thousand in September, preceded by gains of 315 thousand in August and 537 thousand in July. The unemployment rate fell to 3.5% but the result was driven primarily by an exodus of workers from the labor force, an undesirable outcome. A shortage of labor supply, also marked by a decline in the participation rate to 62.3% from 62.4% in August, will provide little assistance toward tamping down wage growth. Instead, the Federal Reserve will need to rely primarily on interest rate increases to cool demand, a scenario that will heighten recession risk. Average hourly earnings growth for September remained unchanged at 0.3% versus August while declining slightly to 5.0% from 5.2% year-over-year. But as Bloomberg Economics cited, even with a moderation in nominal wage growth, the underlying pressure on core inflation will remain if labor productivity (output per hour) remains sluggish. Generally, job gains were sound across most sectors, led by leisure and hospitality (83k), health care and social assistance (75k), food services and drinking establishments (60k), and professional and technical services (46k). If not for a seasonal adjustment to state and local education (-29k), the report would have been stronger.

**Retail Sales** The pace of U.S. retail sales in September signaled consumers may becoming wary about



engaging in discretionary spending amid high inflation and rising interest rates. After rising 0.4% in August retail sales were flat (0.0%) during September, suggesting the combination of slowing economic momentum and lower prices in select retail categories - propelled by growing inventories - conspired to restrain sales growth. September's report revealed not only a recovery of inventory levels in categories that were the beneficiary of goods spending during the pandemic but also weaker sales volume for discretionary purchases as many households redirect income into rising expenses such as food, shelter, and transportation. Sales of electronics and appliances (0.8%), furniture (-0.7%), sporting goods, hobbies, and books (-0.7%), and building materials (-0.4%) all fell. Motor vehicles and parts, which posted the largest increase (2.8%) of any category in August, declined -0.4% for September. Leading the way for the limited number of categories that advanced during September were general merchandise (0.7%), non-store retailers (0.5%), food services and drinking establishments (0.5%), and health stores (0.5%). Because two-thirds of consumer spending is allocated into services and not fully captured by the retail sales report, services consumption will be scrutinized over the next few months for signs of U.S. consumer capitulation.

**Automobile Industry** The National Automobile Dealers Association (NADA) reported Seasonally Adjusted Annual Rate (SAAR) new light-vehicle sales of 13.5 million units through September, a decline of -13.6% over the same period last year. For the quarter ended September 30, the SAAR sales total of 13.3 million units was flat when compared to the prior quarter tally of 13.4 million vehicles. While supply challenges remain an obstacle to meet existing demand, new unit inventory has slowly recovered from a bottom established a year ago. Still, the modest improvement has done little to prevent average transaction prices from remaining at near record levels. According to J.D. Power the average new-vehicle transaction price for September is estimated to reach \$45,622, a 10.3% increase from the same period last year and the fourth highest on record. New vehicle supply challenges have also allowed manufactures to curb incentive spending, maintaining upward pressure on prices. J.D. Power estimates average spending per unit is projected to total \$936 in September, the fifth consecutive month of sub-\$1,000 average incentive outlays. Consumers in the market for a new vehicle not only face elevated prices but higher financing rates as interest rates have climbed steadily during 2022. The average interest rate for a financed new vehicle is approximately 5.71%, a 1.69% increase from September 2021. Though NADA is of the opinion inventory levels will continue to rise slowly, new light-vehicle sales are anticipated to end the year below the 2021 total.

**State** The Commonwealth reported general fund revenues fell 28.4% in September from the prior year, noting the decline was driven by the issuance of \$895.9 million in taxpayer rebates and the effects of one less deposit day for payroll withholding. On a fiscal year-to-date basis, collections through September fell 5.0%. But when compared to a budgeted decline of 14%, general fund revenue was roughly \$500 million ahead of plan. Year-over-year net individual income tax withholding (67% of general fund revenues receipts) fell 11.4%, ahead of the annual projection of an 18% decline. As a result, net individual income tax receipts have exceeded the plan by \$425 million on a fiscal year-to-date basis when accounting for policy changes such as taxpayer rebates and the standard deduction increase. Sales tax revenue (18% of general fund revenues) rose 20.3% over the first quarter of FY 2023, above the annual estimate of a 1.3% decline and \$55 million ahead of plan. Governor Youngkin struck an upbeat tone upon release of the September report, declaring, "Adjusted for the impacts of planned policy actions, including the historic tax rebates of nearly \$900 million recently delivered to Virginians, September revenue collection increased more than 10 percent compared to a year ago." "September is a typically strong month for revenues, and this year was consistent with that precedent."

Virginia's seasonally adjusted unemployment rate fell to 2.6% in September from 2.8% in June and was 0.8 percentage points below the rate from the same period one year ago. The Virginia Employment Commission's September report disclosed Virginia's labor force increased by 108 workers to 4,346,936, while the number of unemployed residents decreased by 885 to 113,220. The number of employed Virginians increased 993 to 4,233,716. The Commission reported employment rose during September in nine of eleven major categories, led by job gains in construction (3,300), trade, transportation, and utilities (1,600), and education and health services (1,000). The largest number of jobs lost occurred in leisure and hospitality (-3,500), followed by mining and logging (-200).

*Local* While certain measurements of employment have begun to exhibit subtle signs of a cooling trend on national and state levels, Prince William County's labor market has retained a relatively healthy profile. The County's unemployment rate for September declined to 2.4% from 2.8% in June, driven primarily by a quarter-over-quarter fall in the number of unemployed residents to 5,919 from 6,971. 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 829 compared to 565 for the previous quarter. Though average monthly claims on a quarterly basis have trended higher since the beginning of the year, evidence of broad-based labor market weakness has yet to emerge.

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. Through direct and indirect funding provided by the American Rescue Plan Act (ARPA), the Board has been able to put dollars to work providing services to older adults affected by COVID-19, continue community feeding efforts, assist small business, and support many nonprofit organizations serving the community at large, to name just a few. In October, an unwavering commitment to Principles of Sound Financial Management played a key role in affirming the County's AAA credit rating by Standard & Poor's, Moody's and Fitch. Standard & Poor's stated, "The county has an excellent history of conservative budgeting and forecasting practices, supported by well-adhered-to fiscal policies. We anticipate that, moving forward, the county's performance will remain strong as it maintains strong budgetary controls." Moody's said, "Prudent financial management and sustained economic growth will continue to support the county's sound credit profile." Fitch noted, "The county's superior budget flexibility and ample unrestricted general fund balance allows it to manage through economic downturns without diminishing its overall financial flexibility."

## 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 September 2022 and September 2021.

Category	Sept 2022	Sept 2021	Increase/(Decrease)
Median Sold Price	\$540,639	\$505,539	6.9%
Units Sold	555	785	-29.3%
Active Listings	747	582	40.6%
Average Days on Market	21	16	31.3%
New Listings	648	904	-28.3%

Mortgage rates continued to climb during the quarter, driven exclusively by the Federal Reserve's resolve to quash persistent and broad-based inflationary pressure. Freddie Mac's weekly Primary Mortgage Market Survey indicated the average 30-year fixed rate mortgage as of September 29 was 6.70% versus 5.70% as of prior quarter end. Mortgage rates have since advanced, with the average 30-year mortgage currently hovering around 7.0%. Recently, Freddie Mac noted that "Unsure buyers navigating an unpredictable landscape keeps demand declining while other potential buyers remain sidelined from an affordability standpoint." Virginia Realtors current monthly Flash Survey indicated buyer activity during October continued to slow. The organization's Buyer Activity Index fell to 23 in June from a reading of 29 in September, the lowest level since the Realtor Confidence Survey launched in July 2021. Approximately 6% of realtors assessed buyer activity in their local market as "high" or "very high", while roughly 60% rated buyer activity in their local market as "low" or "very low". According to Virginia Realtors, a separate index that measures realtors' opinions about how the market will be performing

three months in the future declined to 22 in October from 25 the previous month. A mere 6% of survey participants thought buyer activity over the next three months would be strong in their respective markets. While sales activity typically declines leading into the end of a calendar year, the combination of high mortgage rates and elevated home prices present additional headwinds.

*Commercial Sector* For the quarter ended September 2022, Costar Realty Group (Costar) reported the County's commercial inventory included 52.6 million square feet (sq. ft.) of space in 2,185 properties 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

## 1st Quarter FY 2023 Expenditures

### General Information

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

The County's fiscal year runs from July 1 to June 30. The BOCS adopted a FY 2023 general fund budget of \$1.47 billion.

- \$715.1 million adopted School transfer, in accordance with the County-Schools revenue sharing agreement.
- \$757.0 million adopted County government general fund budget, including transfers.

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

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

### First Quarter Summary

1. ***General Fund Reporting*** – This report includes only unrestricted general fund expenditures. It does not include restricted funds within the general fund such as recordation tax designated for mobility, transient occupancy tax mandated for tourism, cable franchise capital grant, proffers, grants, or criminal forfeitures.
2. ***Revised FY 2023 Budget*** – As of September 30, 2022, the revised County government unrestricted general fund budget, excluding transfers, was \$714.9 million.

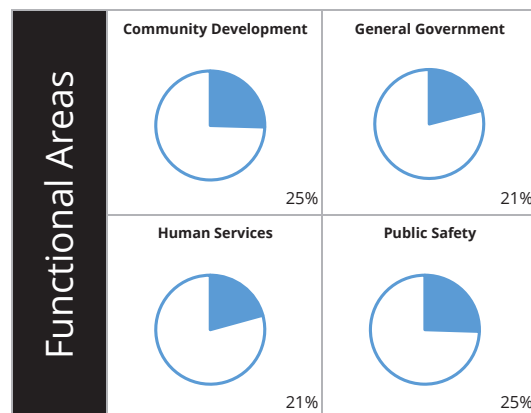
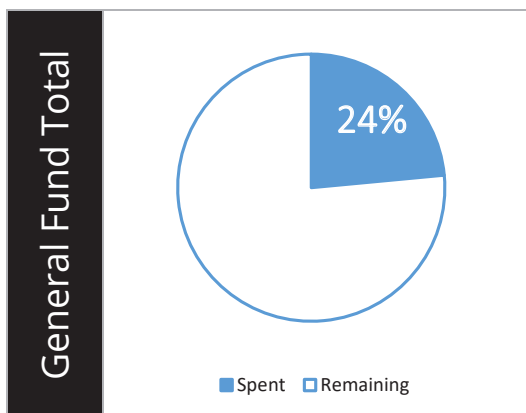
- 3. *First Quarter General Fund Expenditures* – As of September 30, 2022, 29.4% of the expenditure budget was spent. Excluding Non-Departmental and Debt Service, which are not indicators of direct County agency operations and have a disproportionate share of expenditures during the first quarter, agencies spent 23.5% of the operating expenditure budget. **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 \$21.0 million.**

Percent of Budget Spent <i>(Including Debt Service &amp; Non-Departmental)</i>	Percent of Budget Spent <i>(Excluding Debt Service &amp; Non-Departmental)</i>
<b>29.4%</b>	<b>23.5%</b>

- 4. *Pay Periods per Quarter* – The number of pay periods differ by quarter. The first quarter included an additional two-week pay period. The additional payroll means agencies will have higher salary and benefit actuals through the first quarter.
- 5. *Information Technology Charges* – Information technology costs were not billed in the first quarter. Therefore, Internal Services expenditures (and overall agency expenditures) were lower than normally anticipated for the first quarter. After excluding Non-Departmental and Debt Service and adjusting for information technology costs not billed in the first quarter, agencies spent 24.6% of the operating expenditure budget.

Percent of Budget Spent <i>(Excluding Debt Service, Non-Departmental, &amp; Internal Services)</i>
<b>24.6%</b>

- 6. *Retiree Health Benefit* - Retiree health benefit costs of \$3.2 million were charged for the entire fiscal year in the first quarter.
- 7. *Agency Revenue Shortfall* – **General fund agency revenue is projected to be \$10.0 million below budget.** The projected agency revenue shortfall occurs in the Human Services functional area due to Social Services special education private day school placements as well as Community Services reimbursements from the Commonwealth. Additionally, court fines received by the General District Court are projected to be \$1.5 million below budget. Lastly, revenue received by the Department of Parks, Recreation, and Tourism (DPRT) is also projected to be \$1.5 million below budget. DPRT revenue has improved each year since the pandemic (there was a \$5.1 million revenue shortfall in FY2021) and revenue is projected to further improve to pre-pandemic levels.
- 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.




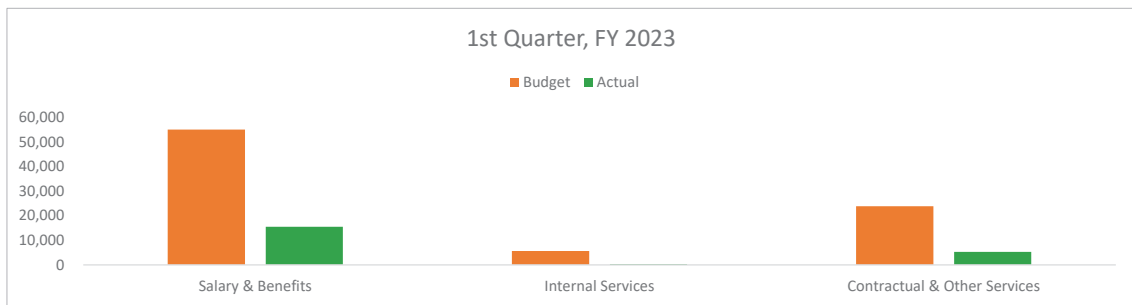
## Community Development Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Community Development</b>	Salary & Benefits	55,059.34	15,520.20	
	Internal Services	5,660.20	333.77	
	Contractual & Other Services	23,826.01	5,257.54	
	Reserves & Contingencies	(3,857.44)	(577.89)	
	<b>80,688.11</b>	<b>20,533.63</b>	<b>25.45%</b>	




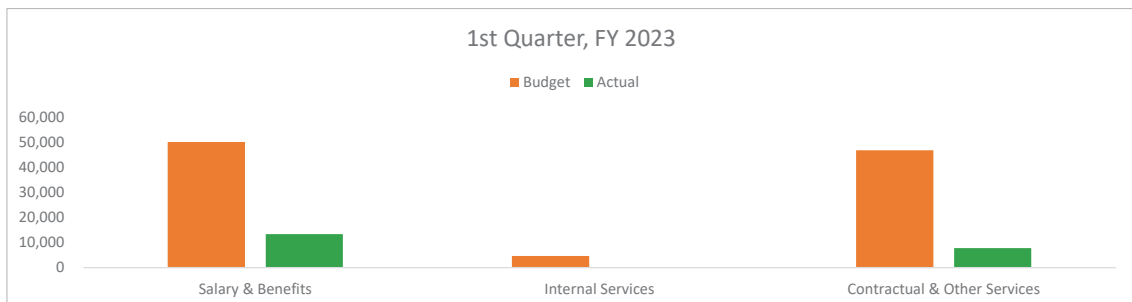
## General Government Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>General Government</b>	Salary & Benefits	50,295.11	13,443.18	
	Internal Services	4,700.70	86.76	
	Contractual & Other Services	46,939.01	7,845.19	
	Reserves & Contingencies	(4,054.97)	(840.08)	
	<b>97,879.84</b>	<b>20,535.06</b>	<b>20.98%</b>	




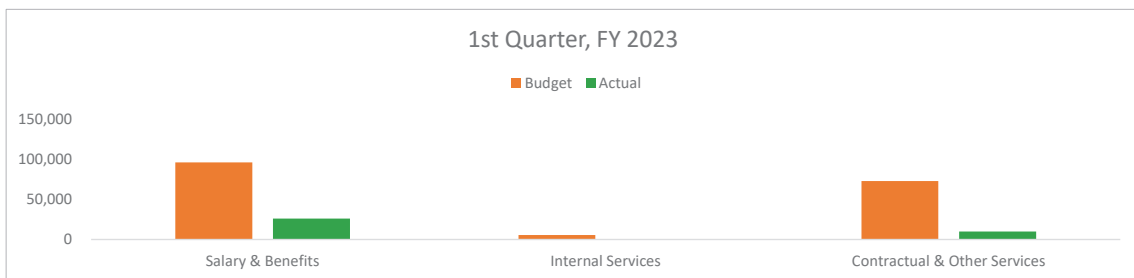
## Human Services Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Human Services</b>	Salary & Benefits	95,947.80	26,002.95	
	Internal Services	5,541.05	65.55	
	Contractual & Other Services	72,622.05	10,023.47	
	Reserves & Contingencies	0.00	0.00	
	<b>174,110.90</b>	<b>36,091.97</b>	<b>20.73%</b>	




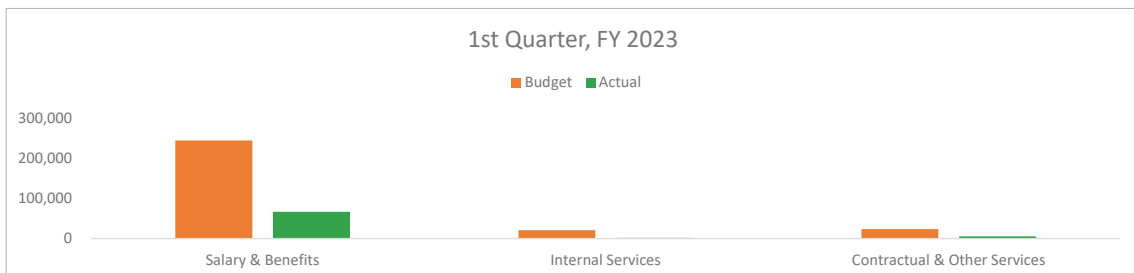
## Public Safety Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies







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

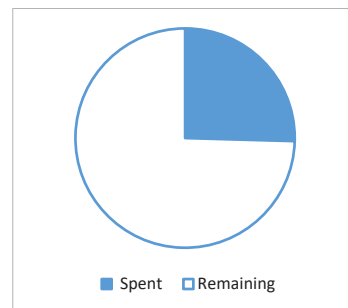
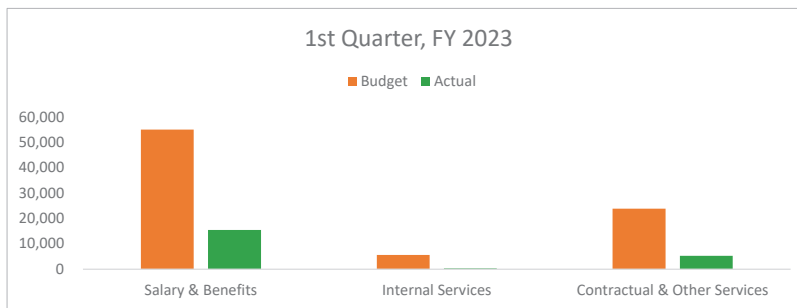
Functional Area	Spending Category	Budget	Actual	Spent %
<b>Public Safety</b>	Salary & Benefits	244,205.00	66,586.66	
	Internal Services	20,991.12	1,660.21	
	Contractual & Other Services	23,403.07	5,646.84	
	Reserves & Contingencies	1,250.00	(11.17)	
	<b>289,849.18</b>	<b>73,882.53</b>	<b>25.49%</b>	



# Community Development Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Economic Development</b>	Salary & Benefits	2,782.09	764.09	
	Internal Services	154.39	0.02	
	Contractual & Other Services	2,179.89	459.73	
	Reserves & Contingencies	0.00	0.00	
	<b>5,116.37</b>	<b>1,223.84</b>	<b>23.92%</b>	
<b>Library</b>	Salary & Benefits	16,332.36	4,499.57	
	Internal Services	1,748.02	7.80	
	Contractual & Other Services	3,382.78	640.68	
	Reserves & Contingencies	0.00	0.00	
	<b>21,463.15</b>	<b>5,148.05</b>	<b>23.99%</b>	
<b>Parks, Recreation &amp; Tourism</b>	Salary & Benefits	26,153.40	7,732.49	
	Internal Services	2,899.63	309.53	
	Contractual & Other Services	13,084.46	2,737.58	
	Reserves & Contingencies	(154.00)	(0.81)	
	<b>41,983.49</b>	<b>10,778.80</b>	<b>25.67%</b>	
<b>Planning</b>	Salary & Benefits	1,691.03	315.95	
	Internal Services	164.47	0.00	
	Contractual & Other Services	889.88	633.80	
	Reserves & Contingencies	0.00	0.00	
	<b>2,745.38</b>	<b>949.75</b>	<b>34.59%</b>	
<b>Public Works</b>	Salary & Benefits	3,551.13	954.19	
	Internal Services	346.41	10.00	
	Contractual & Other Services	1,046.46	125.34	
	Reserves & Contingencies	(168.49)	(26.87)	
	<b>4,775.51</b>	<b>1,062.65</b>	<b>22.25%</b>	
<b>Transportation</b>	Salary & Benefits	4,549.32	1,253.91	
	Internal Services	347.29	6.42	
	Contractual & Other Services	3,242.54	660.42	
	Reserves & Contingencies	(3,534.95)	(550.21)	
	<b>4,604.20</b>	<b>1,370.54</b>	<b>29.77%</b>	












## Notable Variances

- Planning** - Contractual & Other Services expenditures are higher than expected for the first quarter due to Council of Governments (COG) membership dues of approximately \$0.6 million paid for the entire fiscal year.
- Transportation** - Most personnel costs are cost-recovered from capital projects. First quarter cost recovery has not yet been completed.

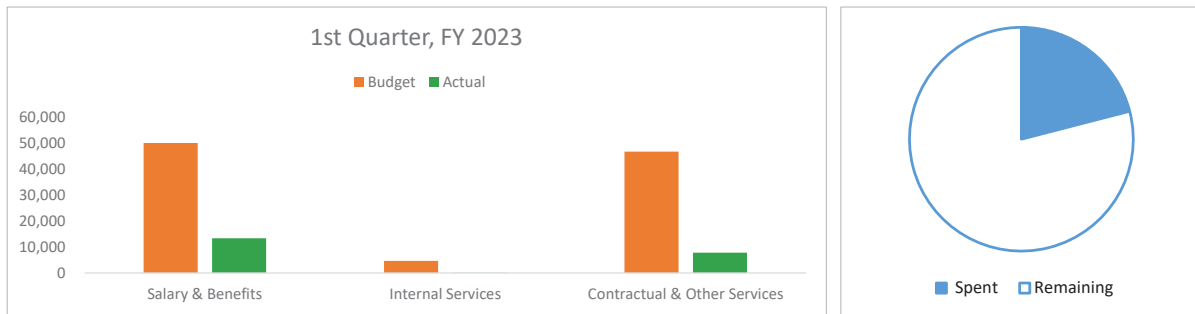


# General Government Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Board of County Supervisors</b>	Salary & Benefits	3,156.00	882.12	
	Internal Services	371.77	0.00	
	Contractual & Other Services	2,679.90	372.86	
	Reserves & Contingencies	0.00	0.00	
	<b>6,207.67</b>	<b>1,254.98</b>	<b>20.22%</b>	
<b>County Attorney</b>	Salary & Benefits	4,696.21	1,103.79	
	Internal Services	292.63	0.00	
	Contractual & Other Services	688.14	48.60	
	Reserves & Contingencies	(176.93)	0.00	
	<b>5,500.06</b>	<b>1,152.39</b>	<b>20.95%</b>	
<b>Elections</b>	Salary & Benefits	1,828.22	500.82	
	Internal Services	232.43	0.51	
	Contractual & Other Services	1,695.83	102.51	
	Reserves & Contingencies	0.00	0.00	
	<b>3,756.48</b>	<b>603.83</b>	<b>16.07%</b>	
<b>Executive Management</b>	Salary & Benefits	4,592.88	1,080.44	
	Internal Services	268.45	0.19	
	Contractual & Other Services	1,175.80	57.11	
	Reserves & Contingencies	0.00	0.00	
	<b>6,037.12</b>	<b>1,137.74</b>	<b>18.85%</b>	
<b>Facilities &amp; Fleet Management</b>	Salary & Benefits	10,243.58	2,989.50	
	Internal Services	1,203.33	75.34	
	Contractual & Other Services	34,185.92	5,634.60	
	Reserves & Contingencies	(2,665.29)	(84.07)	
	<b>42,967.55</b>	<b>8,615.37</b>	<b>20.05%</b>	
<b>Finance</b>	Salary & Benefits	19,221.56	5,143.70	
	Internal Services	1,820.24	10.72	
	Contractual & Other Services	5,579.79	1,310.73	
	Reserves & Contingencies	(523.31)	(115.81)	
	<b>26,098.29</b>	<b>6,349.35</b>	<b>24.33%</b>	
<b>Human Resources</b>	Salary & Benefits	4,187.54	1,097.68	
	Internal Services	365.96	0.00	
	Contractual & Other Services	783.62	305.30	
	Reserves & Contingencies	(689.46)	(640.20)	
	<b>4,647.66</b>	<b>762.79</b>	<b>16.41%</b>	
<b>Human Rights Office</b>	Salary & Benefits	773.62	209.68	
	Internal Services	46.01	0.00	
	Contractual & Other Services	62.70	2.40	
	Reserves & Contingencies	0.00	0.00	
	<b>882.33</b>	<b>212.08</b>	<b>24.04%</b>	
<b>Management &amp; Budget</b>	Salary & Benefits	1,595.49	435.46	
	Internal Services	99.88	0.00	
	Contractual & Other Services	87.30	11.07	
	Reserves & Contingencies	0.00	0.00	
	<b>1,782.68</b>	<b>446.53</b>	<b>25.05%</b>	

## General Government Functional Area *(Continued)*








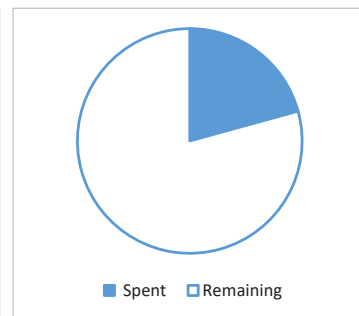
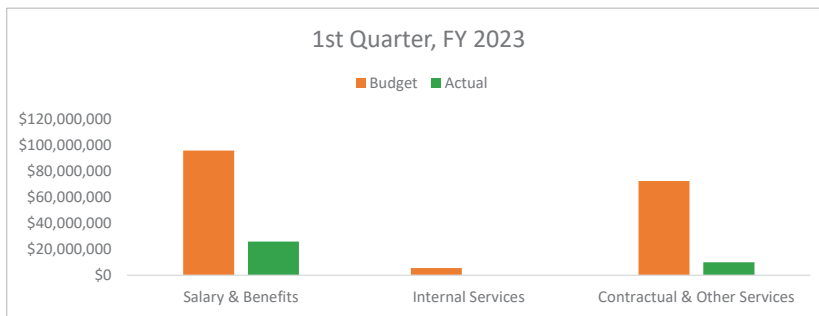
### Notable Variances

- Elections** - DoIT Internal Service Fees of \$0.2 million have not yet been billed. Contractual & Other Services expenditures will increase after the November election when contracts related to the election are paid during the second quarter.
- Executive Management** - DoIT Internal Service Fees of \$0.3 million have not yet been billed. Additionally, \$0.6 million in professional services is encumbered to be billed later in the year. Of this \$0.6 million, Environmental Sustainability has encumbered \$0.5 million for the Climate Action Plan.
- Facilities & Fleet Management** - Funds of \$18.5 million have been encumbered, primarily for building infrastructure systems, custodial and security contracts, utilities, machinery, equipment, and vehicle purchases, and property leases. Spending is anticipated to escalate in the remaining quarters.
- Human Resources** - DoIT Internal Service Fees have not yet been billed. Cost Recovery to the County's Medical Insurance internal service fund has already been completed for the entire year, driving down expenditures.

# Human Services Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Aging</b>	Salary & Benefits	3,450.62	1,054.16	
	Internal Services	255.24	11.04	
	Contractual & Other Services	5,611.69	2,894.36	
	Reserves & Contingencies	0.00	0.00	
	<b>9,317.55</b>	<b>3,959.56</b>	<b>42.50%</b>	
<b>Community Services</b>	Salary & Benefits	47,531.49	12,455.17	
	Internal Services	2,489.72	28.64	
	Contractual & Other Services	18,084.75	1,115.25	
	Reserves & Contingencies	0.00	0.00	
	<b>68,105.97</b>	<b>13,599.06</b>	<b>19.97%</b>	
<b>Cooperative Extension Service</b>	Salary & Benefits	950.24	195.75	
	Internal Services	143.61	0.00	
	Contractual & Other Services	132.89	2.83	
	Reserves & Contingencies	0.00	0.00	
	<b>1,226.74</b>	<b>198.58</b>	<b>16.19%</b>	
<b>Public Health</b>	Salary & Benefits	1,706.80	324.30	
	Internal Services	61.01	4.70	
	Contractual & Other Services	3,096.66	852.13	
	Reserves & Contingencies	0.00	0.00	
	<b>4,864.47</b>	<b>1,181.13</b>	<b>24.28%</b>	
<b>Social Services</b>	Salary & Benefits	42,308.65	11,973.57	
	Internal Services	2,591.46	21.17	
	Contractual & Other Services	45,696.05	5,158.89	
	Reserves & Contingencies	0.00	0.00	
	<b>90,596.17</b>	<b>17,153.63</b>	<b>18.93%</b>	












## Notable Variances

- Aging** - Expenditures are elevated due to full year costs associated with Birmingham Green (\$2.3 million) paid in the first quarter.
- Community Services** - DoIT Internal Service Fees of \$2.4M have not yet been billed. Funds of \$7.4 million have been encumbered, primarily for operational costs related to the Crisis Stabilization unit. Spending is expected to escalate in the remaining quarters.
- Cooperative Extension Service** - Salary & Benefits is underspent because the department has not yet been billed for the 1st quarter salary supplements reimbursement to the State. DoIT Internal Service Fees have not yet been billed. Contractual & Other Services is underspent because the department received additional grants in the first quarter that will be spent in future quarters.
- Social Services** - DoIT Internal Service Fees of \$2.6 million have not yet been billed. Contractual & Other Services is underspent because the payment of Children's Services Act expenditures lags 30-60 days.




# Public Safety Functional Area

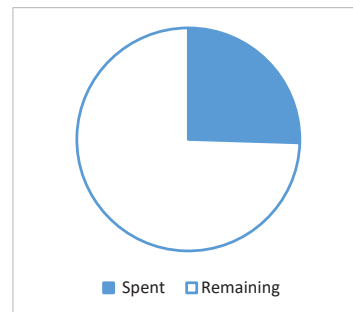
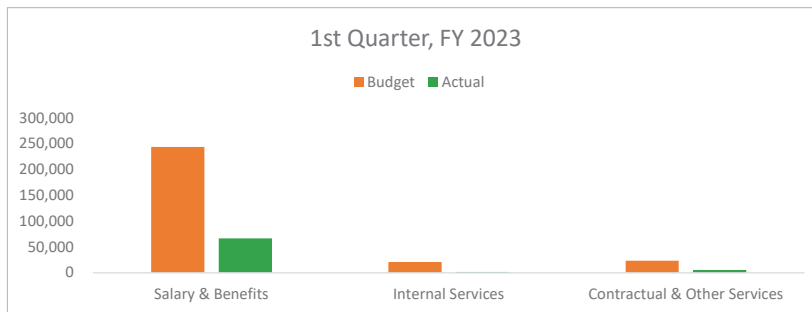
(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Circuit Court Clerk</b>	Salary & Benefits	4,517.23	1,099.20	
	Internal Services	255.21	0.00	
	Contractual & Other Services	505.93	75.18	
	Reserves & Contingencies	0.00	0.00	
	<b>5,278.37</b>	<b>1,174.38</b>	<b>22.25%</b>	
<b>Circuit Court Judges</b>	Salary & Benefits	1,577.95	421.96	
	Internal Services	79.69	0.00	
	Contractual & Other Services	120.34	21.46	
	Reserves & Contingencies	0.00	0.00	
	<b>1,777.98</b>	<b>443.42</b>	<b>24.94%</b>	
<b>Commonwealth Attorney</b>	Salary & Benefits	8,170.85	2,075.91	
	Internal Services	497.57	0.00	
	Contractual & Other Services	486.64	118.23	
	Reserves & Contingencies	0.00	0.00	
	<b>9,155.06</b>	<b>2,194.14</b>	<b>23.97%</b>	
<b>Criminal Justice Services</b>	Salary & Benefits	5,383.17	1,403.87	
	Internal Services	386.89	2.91	
	Contractual & Other Services	684.98	88.78	
	Reserves & Contingencies	0.00	0.00	
	<b>6,455.04</b>	<b>1,495.56</b>	<b>23.17%</b>	
<b>Fire &amp; Rescue</b>	Salary & Benefits	96,804.92	26,681.98	
	Internal Services	4,926.70	349.99	
	Contractual & Other Services	7,497.36	1,281.94	
	Reserves & Contingencies	0.00	0.00	
	<b>109,228.98</b>	<b>28,313.92</b>	<b>25.92%</b>	
<b>General District Court</b>	Salary & Benefits	1,071.55	199.52	
	Internal Services	31.37	0.00	
	Contractual & Other Services	216.05	22.57	
	Reserves & Contingencies	0.00	0.00	
	<b>1,318.97</b>	<b>222.08</b>	<b>16.84%</b>	
<b>Juvenile &amp; Domestic Relations Ct</b>	Salary & Benefits	441.71	66.39	
	Internal Services	43.95	0.00	
	Contractual & Other Services	75.97	18.96	
	Reserves & Contingencies	0.00	0.00	
	<b>561.63</b>	<b>85.36</b>	<b>15.20%</b>	
<b>Juvenile Court Service Unit</b>	Salary & Benefits	1,201.78	138.25	
	Internal Services	65.80	4.32	
	Contractual & Other Services	398.74	63.15	
	Reserves & Contingencies	0.00	0.00	
	<b>1,666.33</b>	<b>205.72</b>	<b>12.35%</b>	
<b>Magistrates</b>	Salary & Benefits	88.73	23.89	
	Internal Services	20.13	0.00	
	Contractual & Other Services	10.39	0.98	
	Reserves & Contingencies	0.00	0.00	
	<b>119.24</b>	<b>24.87</b>	<b>20.86%</b>	

## Public Safety Functional Area (Continued)

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Police</b>	Salary & Benefits	100,045.66	27,551.79	
	Internal Services	12,869.33	1,202.79	
	Contractual & Other Services	9,942.52	3,475.04	
	Reserves & Contingencies	1,250.00	0.00	
	<b>124,107.51</b>	<b>32,229.63</b>	<b>25.97%</b>	
<b>Public Safety Communications</b>	Salary & Benefits	11,617.39	3,045.32	
	Internal Services	572.27	1.19	
	Contractual & Other Services	2,188.63	235.84	
	Reserves & Contingencies	0.00	0.00	
	<b>14,378.30</b>	<b>3,282.35</b>	<b>22.83%</b>	
<b>Sheriff</b>	Salary & Benefits	13,284.03	3,878.58	
	Internal Services	1,242.21	98.99	
	Contractual & Other Services	1,275.51	244.71	
	Reserves & Contingencies	0.00	(11.17)	
	<b>15,801.76</b>	<b>4,211.11</b>	<b>26.65%</b>	




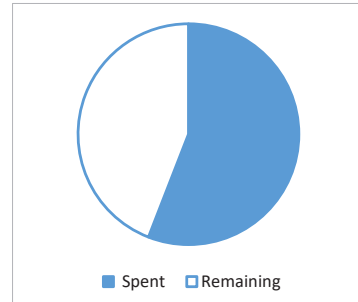
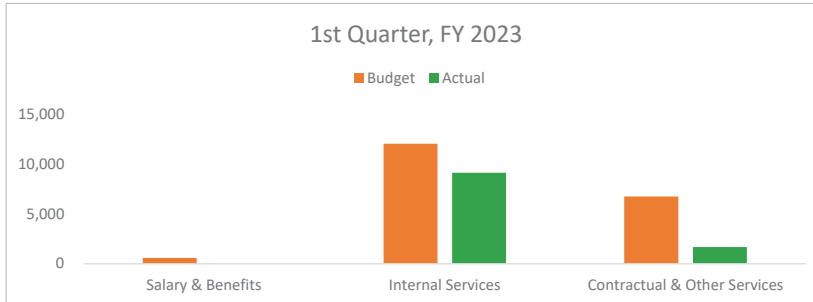
### Notable Variances

- General District Court** - Salary & Benefits is underspent due to vacancies. A reevaluation of position classifications is in process. DoIT Internal Service Fees have not yet been billed. Contractual & Other Services is underspent and will be spent in future quarters.
- Juvenile & Domestic Relations Court** - Salary & Benefits is underspent due to state vacancies not fully utilizing the local salary supplement. DoIT Internal Service Fees not yet been billed.
- Juvenile Court Service Unit** - Salary & Benefits is underspent due to the first quarter local salary supplement payment being processed after the first quarter, a result of a delayed state salary increase. DoIT Internal Service Fees have not yet been billed. Contractual & Other Services is underspent due to the community partner payment for the Intervention, Prevention, and Education program being processed after the first quarter.

## Non-Departmental

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Non-Departmental</b>	Salary & Benefits	575.74	16.23	
	Internal Services	12,030.93	9,126.24	
	Contractual & Other Services	6,746.11	1,676.96	
	Reserves & Contingencies	0.00	0.00	
		<b>19,352.79</b>	<b>10,819.43</b>	




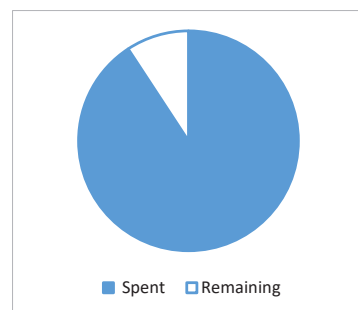
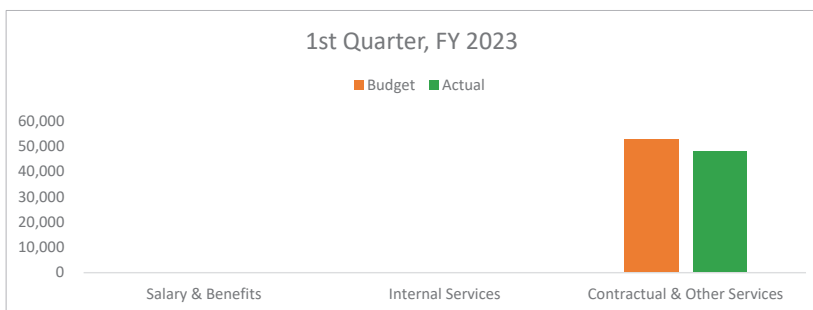
### Notable Variances

1. **Non-Departmental** - The following payments were made during the first quarter of the fiscal year: Self-Insurance Workers Compensation (\$6.5M), Self-Insurance Casualty Pool (\$2.9M), Property and Miscellaneous Insurance Premiums (\$0.5M), Hylton Performing Arts Center Contribution (\$0.6M), and Northern Virginia Community College Contribution (\$0.3M).

## Debt Service

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Debt Service</b>	Salary & Benefits	0.00	0.00	
	Internal Services	0.00	0.00	
	Contractual & Other Services	53,004.52	48,105.55	
	Reserves & Contingencies	0.00	0.00	
		<b>53,004.52</b>	<b>48,105.55</b>	



### Notable Variances

1. **Debt Service** - Most debt service obligations are scheduled for payment in the first quarter of the fiscal year.



**PRINCE  
WILLIAM**  
— COUNTY

**Department of Finance  
Office of Management and Budget**

1 County Complex Court  
Prince William, VA 22192

[www.pwcva.gov](http://www.pwcva.gov)