



PRINCE WILLIAM  
COUNTY

# Revenue & Expenditures REPORT

2nd Quarter  
**FY 2023**

Published 02/15/2023

# PRINCE WILLIAM COUNTY

## 2<sup>nd</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	Q2 Revised	\$ Change Q2/Adopted	% Change Q2/Adopted
Real Property Tax	\$779,557,813	\$811,330,000	\$811,330,000	\$811,330,000	\$0	0.00%
Personal Property Tax	255,618,918	248,900,000	248,900,000	248,900,000	0	0.00%
Motor Vehicle License Tax	12,813,864	12,000,000	12,000,000	12,000,000	0	0.00%
Local Sales Tax	88,000,334	86,900,000	91,000,000	91,000,000	4,100,000	4.72%
Food and Beverage Tax		24,500,000	30,000,000	30,000,000	5,500,000	22.45%
Consumer Utility Tax	15,278,138	13,675,000	13,675,000	13,675,000	0	0.00%
Communications Sales and Use	12,347,160	12,680,000	12,680,000	12,680,000	0	0.00%
BPOL Tax	32,910,130	29,000,000	29,000,000	29,000,000	0	0.00%
Investment Income	7,638,016	7,650,000	12,000,000	12,000,000	4,350,000	56.86%
All Other Revenue	16,903,868	15,433,000	17,133,000	17,133,000	1,700,000	11.02%
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 1,221,068,242</b>	<b>\$1,262,068,000</b>	<b>\$ 1,277,718,000</b>	<b>\$ 1,277,718,000</b>	<b>\$ 15,650,000</b>	<b>1.2%</b>

**Notes:**

1. 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.
2. On December 13, 2022, the Board of County Supervisors approved via Resolution No. 22-584 to budget and appropriate \$15,650,000 of the projected FY 23 General Revenue surplus to authorize amendments to the Police Pay Plan in accordance with the County's Adopted Comp Policy, ADC Gap Pay and hiring bonuses.

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

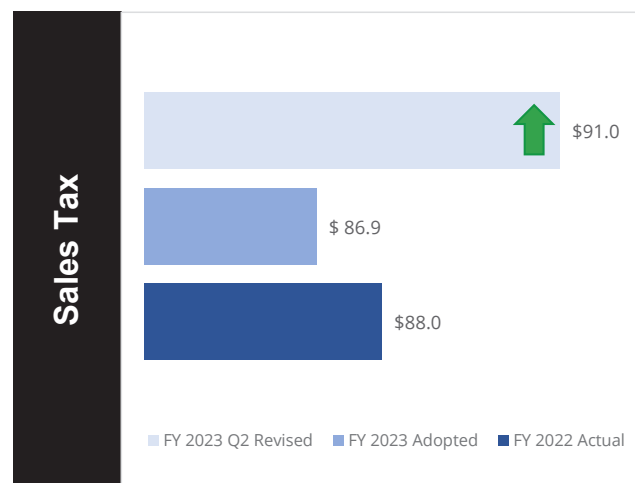
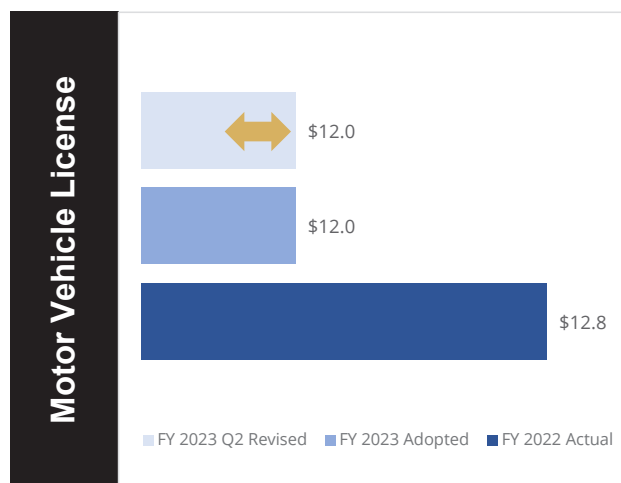
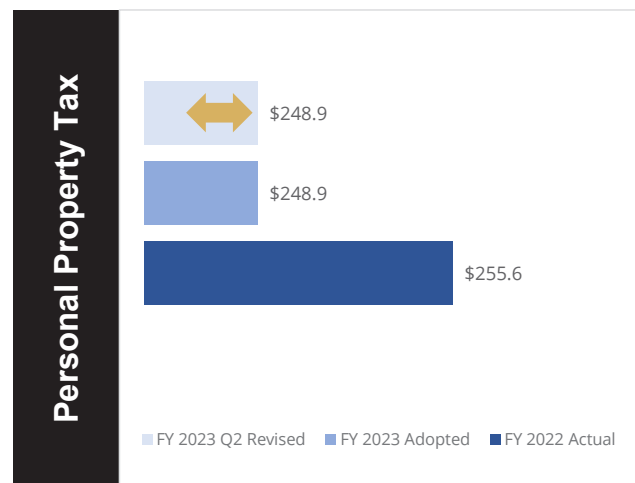
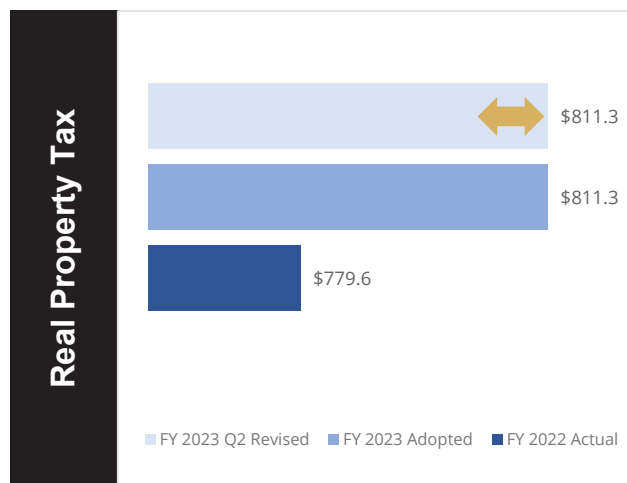
# Revenues At-A-Glance

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.

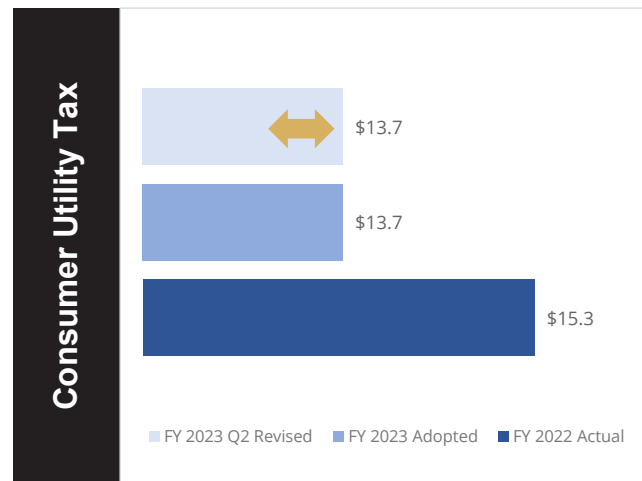
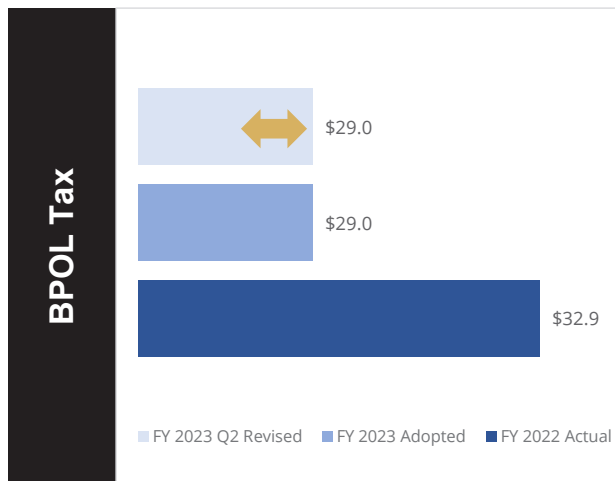
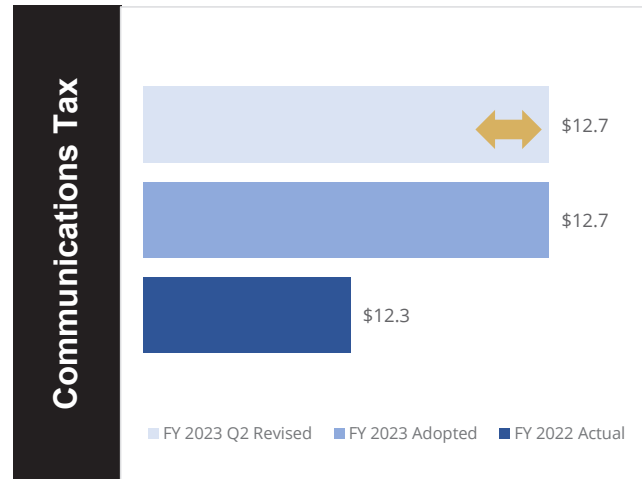
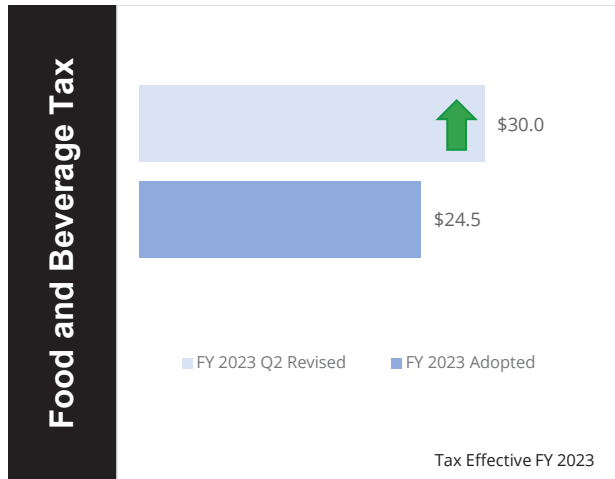
**Personal Property Tax and Motor Vehicle License Tax** are forecast to generate FY 2023 revenues of \$248.9 million and \$12.0 million, respectively. Currently, collections received for both revenue streams are being validated to determine if future adjustments are warranted. The economic impacts of 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** received and recorded through the second quarter is \$47.9 million. The current pace of collections places this revenue stream on a track to generate FY 2023 revenue of approximately \$95.8 million, \$4.8 million above the revised forecast of \$91.0 million. While consumer demand within the goods sector has begun to soften, Staff is of the opinion the current presence of consistent spending behavior, underpinned by existing strength within the regional labor market, is supportive of maintaining the FY 2023 sales tax projection at \$91.0 million.



Dollar amounts expressed in millions

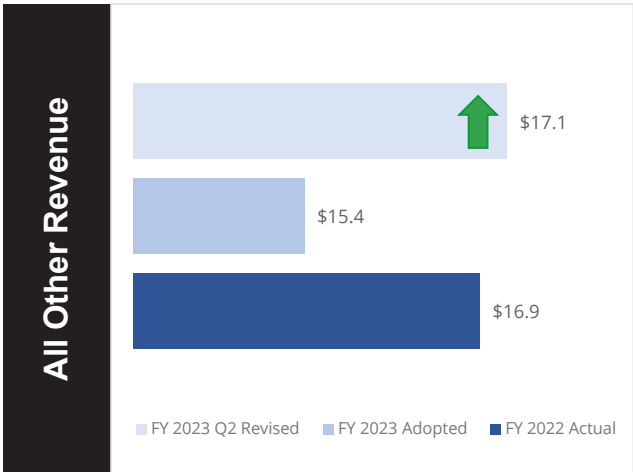
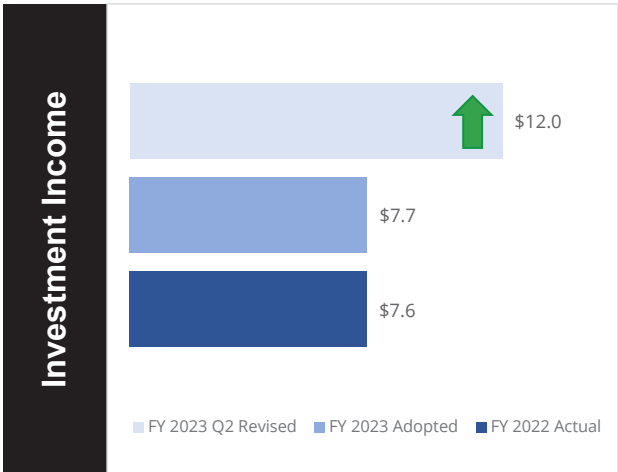
*Food and Beverage Tax* received and recorded through the second quarter is \$15.8 million. The current trajectory of collections places this revenue stream on a track to generate FY 2023 revenue of approximately \$31.6 million, \$1.6 million above the revised forecast of \$30.0 million. The backdrop 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 receipts are supportive of maintaining the FY 2023 Food and Beverage tax projection at \$30.0 million. Effective July 1, 2022, the County began levying the Food and Beverage tax.



Dollar amounts expressed in millions

*Investment Income* received and recorded is on track to meet the revised forecast of \$12.0 million for FY 2023. While inflation is poised to ease further and economic growth has begun to cool, wide-spread price pressures will not necessarily follow a precipitous decline given the current strength of the labor market. The preceding condition, combined with the Federal Reserve's prioritization of price stability to reestablish its 2% price target, should sustain the Federal Funds rate above 4.50% leading into mid-2023. The presence of this scenario would fortify current returns on cash/cash equivalent investments and present yield enhancement opportunities in longer duration credit.

*All Other Revenue* received and recorded is on course to meet the revised forecast of \$17.1 million for FY 2023. Tax on Deeds, the largest adopted revenue stream (\$3.4 million) within this category, is being evaluated for a future downward revision given the decline in housing market activity. Units sold were down 25.7% in 2022 versus the prior year, while the dollar value of homes sold fell 18.2%. Cigarette Tax, the next largest adopted revenue source (\$3.0 million), has generated average revenue of \$426 thousand per month through the second quarter and is on track to modestly exceed the revised FY 2023 forecast of \$4.5 million.



Dollar amounts expressed in millions

# Looking Ahead

## Economy At-A-Glance

Indicator	Prior <sup>1</sup> 9/30/2022	Current <sup>1</sup> 12/31/2022	Trend					Notes
<b>General</b>								
Consumer Price Index (CPI)	8.2%	6.5%	●					Measures prices paid by consumers for a basket of goods and services.
Gross Domestic Product (GDP)	2.6%	2.9%			●			Measures the final market price for goods and services produced within the U.S.
Federal Funds Rate	3.08%	4.33%			●			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	3,585	3,853			●			Considered the best single gauge of large-cap U.S. equities. The index contains 500 leading companies and captures approximately 80% of available market capitalization.
<b>Unemployment Rate</b>								
National	3.5%	3.5%			●			Tracks the number of unemployed persons as a percentage of the total U.S. labor force.
Virginia	2.6%	3.0% (P)			●			Tracks the number of unemployed persons as a percentage of the total VA labor force.
Prince William County	2.4%	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	\$1,374	\$1,294		●				Tracks the average weekly monetary compensation paid to an employee in the U.S. Excludes bonus payments.
Virginia	\$1,366	\$1,316		●				Tracks the average weekly monetary compensation paid to an employee in VA. Excludes bonus payments.
Prince William County	\$1,069	\$1,096		●				Tracks the average weekly monetary compensation paid to an employee in PWC. Excludes bonus payments.
<b>Employment Establishments <sup>3</sup></b>								
Virginia	310,760	320,590			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Virginia.
Region	98,440	94,958			●			Tracks the total number of physical locations where business, services, or industrial operations are performed in Northern Virginia.
Prince William County	10,421	10,639			●			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	0.0%	-1.1%		●				Retail sales tracks the resale of new and used goods to the general public for personal or household consumption.
Sales and Use Tax: Virginia	20.3%	13.2%			●			Tracks the percentage of state collections for sales and use tax.
Sales and Use Tax: Prince William County	6.5%	7.6%			●			Tracks the percentage of collections for sales and use tax in Prince William County. Current sales tax rate is 6.0%.
Revenue Collections: Virginia	-5.0%	0.8%			●			Approximately 88% of Virginia's revenue consists of net individual income tax and sales tax.
<b>Vehicles</b>								
National Automobile Sales	13.5	13.7			●			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	\$540,639	\$519,617			●			Reflects the average sold price for a home.
Closed Sales	555	350			●			Reflects the number of closed home sales.
Average Days on Market	21	30			●			Reflects the average time a home is on the market from listing to closing.
Ratio of Homes on the Market to Homes Sold	1.35	1.14			●			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	365	301			●			Establishes that a property is suitable for habitation after meeting the requirements of the Uniformed Statewide Building Code.
Building Permits Issued	162	115			●			Tracks the number of new building permits issued for residential dwellings.
Commercial Vacancy Rate	3.9%	4.3%			●			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** The relentless pace of interest rate increases implemented by the Federal Reserve during 2022 are beginning to marinate through the broader U.S. economy and have set the stage for inflationary pressure and economic growth to cool further in the new year. However, two key questions remain unanswered. One, will a Federal Funds rate currently forecast to peak at approximately 5.1% be restrictive enough to allow the Fed's 2.0% average annual inflation target to be achieved? And two, how will the Federal Reserve respond to its dual mandate of full employment and price stability if a higher than forecast rate of unemployment is necessary to restore average annual inflation to 2.0%? As of December, the Fed's Summary of Economic Projections show the median unemployment rate peaking at 4.6% over the next two years. Many economists, including Federal Reserve officials, believe current data suggest there is still a path to what is known as a "soft landing." A scenario in which the use of monetary policy tools - such as raising interest rates - reduces consumer spending and lowers inflation, but avoids a profound economic downturn marked by mass layoffs over various sectors of the economy. But despite an abundance of tools and data economists have at their disposal, projecting a recession is akin to putting together pieces of a puzzle and continues to be art more than science. Currently, certain measurements have not allowed some puzzle pieces to fit seamlessly. For example, the manufacturing sector has been cited by some market observers as already in a recession, while the housing market has experienced a sharp decline. However, factory and construction employment has remained firm.

"The signals are mixed in a way that we haven't seen before," says Claudia Sahm, a former Federal Reserve economist and the founder of Sahm Consulting. "People say, 'Historically when this happens, that happens, and then we go into a recession.' That's a good starting place, but that shouldn't be the end place for the analysis." Ms. Sahm came up with her own real-time recession test known as the Sahm Rule. The rule states that when the three-month moving average of the unemployment rate rises by 0.5 percentage point or more relative to the low in the previous 12 months, a downturn has begun. The current reading does not indicate a recession. The economic impact from the pandemic saw a significant trend in macroeconomic forecasting develop in which information from government releases has been supplemented with smaller but more high-frequency data from private sources. Analysts dug into numbers on restaurant reservations from OpenTable, movie attendance from Comscore Inc. and mobility data from Google to assess how quickly U.S. consumers' lives were returning to normal. Those same high-frequency measurements are now being utilized to uncover any evidence that households are curbing discretionary spending, but these indexes have yet to indicate sustained downward momentum. There is no shortage of opinions from market and economic pundits as to how 2023 will unfold but one ongoing dynamic is clear. Many Americans are feeling the financial burden of cost-of-living expenses that wages have failed to match.

**Consumer Price Index (CPI)** Inflationary pressure continued to ease throughout the quarter, driven primarily by declining energy and goods prices. Measured on a 1 month, 3 month, or 6 month annualized basis - metrics the Federal Reserve will use to assess inflation momentum - overall inflation registered during December is tracking below the Fed's target of 2.0%. However, core inflation (excludes food & energy) remains well above the 2.0% threshold, with 3 month and 6 month annualized rates at 3.1% and 4.5%, respectively. While headline inflation is expected to decelerate in the months ahead, core services inflation may prove persistent leading into mid-2023 given approximately two-thirds of consumer spending flows into services and consumption of services tends to be less interest rate sensitive. Headline inflation for December declined by -0.1% versus a 0.1% gain in November. Measured year-over-year, inflation rose 6.5% but was down compared to November's rate of 7.1%. The primary catalyst behind the decline in inflation during December was a 4.5% drop in energy prices, driven by falling gasoline prices. Core inflation increased slightly to 0.3% from 0.2% in November, while on a year-over-year basis core CPI for December was 5.7% versus 6.0% in November. Core goods prices fell -0.3%, propelled by a decline in used car prices of -2.5% and the first price contraction for new cars (-0.1%) in nearly two years. Core services prices rose slightly to 0.5% from 0.4% in November. The increase was driven primarily by an acceleration in shelter costs - the two largest sub-components are affiliated with housing costs - of 0.8% versus 0.6% in November and a substantial increase in medical care services to

0.1% from -0.7% the prior month. While energy and vehicles have been key contributors to maintaining a disinflationary trend over the final two months of 2022, price pressures are easing across additional categories. The proportion of categories that posted annualized inflation above 4% fell in December from 57% to 53%. A significant decline from the peak of 73% last May, but still higher than the approximate average of 40% in the pre-pandemic years when inflation was hovering at around 2.0%. Moving forward, Bloomberg Economics noted they anticipate “headline CPI moderating to 2.5% and core to 4%” by June. “But making further progress will be tough. Core goods will no longer contribute to disinflation, nor will energy if gasoline prices stay flat (as the futures curve predicts). The rest of the decrease would have to come from shelter and core services ex-shelter. Assuming that wage growth gradually moderates, our forecasts point to headline inflation rebounding to 3% and the core stabilizing at slightly above 3% in 1H2024 (first 6 months of 2024). The hard part of disinflation, therefore, will be the last 100 bps above the Fed’s 2% target - and that’s what makes Fed officials wary of cutting rates this year, as the market currently expects.”

**Gross Domestic Product (GDP)** While consumer spending on services was a key driver of economic growth during the final quarter of 2022, measurements of underlying activity that remove volatile components, such as trade, inventory and government spending, revealed a softer growth profile. The U.S. economy grew at a 2.9% annualized pace, modestly above the consensus estimate of 2.6%. Overall, U.S. economic growth for 2022 was 1.0%, down from 5.7% in 2021. The report displayed weakness in final sales to domestic purchasers (excludes inventories and trade) rising just 0.8%, while final sales to private domestic purchasers - which further excludes government spending - rose just 0.2%. Inventories added a substantial 1.5 percentage points to growth, while net exports contributed 0.6 percentage points to headline GDP. Consumer spending grew at a 2.1% annualized pace in the quarter, down from 2.3% the prior quarter. Slower but positive spending on goods of 1.1% was driven primarily by vehicles and parts, while services spending of 2.6% was led by health care, housing and utilities, and personal care services. With mortgage applications down 51% in the quarter from the pandemic peak in January 2021 amid surging mortgage rates, residential investment continued to fall sharply. Following a decline of -27.1% in the previous quarter, residential investment plunged -26.7% and subtracted 1.3 percentage points from GDP growth. “When we look at what’s happening with the consumer, which is the backbone of the US economy, we are seeing a clear loss of momentum,” Lindsey Piegza, chief economist at Stifel Nicolaus & Co. in Chicago, told Bloomberg TV. “Without the consumer happy and healthy out in the marketplace, we simply cannot expect to maintain positive growth, let alone more robust growth similar to what we saw this morning,” she said. “We are teetering towards a recession.”

**Labor Market** A modest cooling trend in wages, robust hiring and an expanding labor force led some market observers to label the December employment report as a Goldilocks scenario. Despite declining measures of inflation, the current labor market backdrop has proven strong enough to keep the Federal Reserve on target to raise the Federal Funds rate by a widely anticipated 25 basis points in February. Nonfarm payrolls for December increased 223 thousand versus the consensus estimate of 200 thousand. The unemployment rate fell to 3.5% from a revised 3.6% in November, while the labor force participation rate rose in December to 62.3% from 62.2% the prior month. The participation rate gain was driven by a surge of women entering the labor force after three straight months of declines. Average hourly earnings growth moderated to 0.3% from a revised 0.4% in November. Slowing wage momentum translated into a year-over-year pace that declined to 4.6% during December from 4.8% the prior month. While easing wage pressure is a positive development, Bloomberg Economics estimates that job growth of 35k per month is necessary to tame persistent wage pressure after accounting for a natural decline in labor force participation as the workforce ages. Job gains were firm across a variety of sectors. Goods producing sectors generated 40k jobs, led by construction (28k) and manufacturing (8k). Service sectors added 180k jobs, driven primarily by health care and social assistance (74k), leisure & hospitality (67k) and food services and drinking places (26k).

**Retail Sales** Following a contraction in retail spending for November, results from the December retail sales report suggests the trajectory of goods consumption is transitioning to the pre-pandemic trend. Though services related spending may partially offset waning demand for goods, the consumers’ ability to support economic growth faces headwinds in the form of higher borrowing costs and declining savings. Retail sales fell -1.1% in December preceded by a -1.0% drop in November. The median estimate



in a Bloomberg survey called for a -0.9% decline in December. The value of retail spending, which is reported on a non-inflation adjusted basis, reflected a combination of cooling volumes and price effects at year-end. Over the entire quarter, total retail sales rose a scant 0.5%, down from 3.1% the previous quarter. Control-group sales - which exclude food services, auto dealers, building-material stores, and gasoline stations - declined -0.7% in December. Sales within the control group category - an indication of underlying trends - were up 1.9% for the quarter on an annualized basis, but substantially weaker than the prior quarter's increase of 7.4%. Sales at gasoline stations fell -4.6% in December, while purchases at motor-vehicle & parts dealers dropped -1.2%, driven by price effects and a month-over-month decline in vehicle sales of 800 thousand units. According to Manheim, used-vehicle values in December posted their largest decline in 27 years. Excluding gasoline stations and motor-vehicle & parts, sales declined -0.7% versus -0.5% in November. Goods sectors with excess inventories, such as furniture, footwear, and clothing, offered discounts to clear shelves as consumer spending on merchandise was tepid.

**Automobile Industry** The National Automobile Dealers Association (NADA) reported Seasonally Adjusted Annual Rate (SAAR) new light-vehicle sales of 13.7 million units for 2022, the lowest sales total for a full year since 2011. Shortages of microchips and other supply chain bottlenecks were cited as reasons why industry sales declined 8.2%. With a limited supply of microchips, automakers focused on manufacturing higher-trimmed light trucks, leading to the light-truck segment gaining market share as the year progressed. The result saw light trucks account for 79.2% of all new vehicles sold, a 1.6 percentage points increase versus 2021. Representing 45.2% of all new light-vehicles sold, crossovers retained their standing as the most popular segment. Hybrids, plug-ins, and battery electric vehicles accounted for 12.3% of new vehicle sales, a 2.7 percentage points increase compared to 2021. A combination of lean vehicle supply and reduced auto manufacturer incentive spending conspired to keep prices elevated throughout 2022. J.D. Power estimates the average price of a new vehicle in December was \$46,382, an increase of 2.5% versus December 2021, while average incentive spending per unit for December is expected to reach \$1,187, a 21.4% year-over-year decline. A mix of persistently high prices and surging interest rates led monthly payments to increase throughout the year. J.D. Power data indicates the average monthly payment for a financed new vehicle in December was roughly \$718 and the average interest rate 6.4%, increases of \$47 and 2.47 percentage points from December 2021. While supplying dealers with new vehicles remained a challenge during 2022, Wards Intelligence on the ground and in transit inventory forecast at the end of December was 1.7 million units, a 51% increase versus December 2021. NADA anticipates new-vehicle inventory levels to slowly rise as 2023 progresses but noted affordability will be a key theme. Consumers will not only be confronted with high interest rates but a loss of equity in their trade-ins as used vehicle prices are expected to come under additional downward pressure.

**State** The Secretary of Finance's December revenue report noted fiscal year-to-date general fund revenues grew 0.8% compared to the same period one year prior, with current actuals tracking \$79.3 million ahead of forecast. The Commonwealth's updated forecast encompasses proposed policy changes, including the Governor's proposed tax relief package, and assumes a three-quarter recession beginning in the third quarter of Fiscal Year 2023. Despite potential economic challenges, the Finance team "remains confident that in coming months, revenues will meet or exceed the forecast, resulting in a \$3.6 billion year-end surplus." Stronger than anticipated collections in individual income taxes and other taxes have been able to offset weaker receipts in corporate income taxes and deed taxes. Fiscal year-to-date individual income tax withholding (61% of general fund revenues) collections increased 7.9% from December FY 2022. Receipts are tracking \$17.5 million ahead of current projections. Unadjusted sales tax revenue (19% of general fund revenues) rose 13.2% on fiscal year-to-date basis versus the same period last year, trailing the forecast by \$11 million. "This revenue report confirms Virginia remains in a great position to make critical investments this year and lower taxes in the Commonwealth so that we can compete to win against our peer states," said Governor Glenn Youngkin. "The consistent revenues we've seen throughout this fiscal year underscore the Commonwealth's financial health and capacity to deliver tax cuts for families and local businesses throughout Virginia, I look forward to working together with the General Assembly to make this a reality, just as we did last year."

Virginia’s seasonally adjusted unemployment rate drifted higher over the final three months of 2022, rising to 3.0% in December from 2.6% at the end of September. The Virginia Employment Commission’s December report disclosed Virginia’s labor force increased by 9,611 workers to 4,357,319, while the number of unemployed residents rose by 5,126 to 128,912. The number of employed Virginians increased 4,485 to 4,228,407. The Commission reported employment rose during December in four of eleven major categories, led by job gains in Miscellaneous Services (1,800), Construction (1,100) and Finance (500). The largest number of jobs lost occurred in Education and Health Services (-1,200), Manufacturing (-900) and Leisure and Hospitality (-700).

*Local* While certain measurements of employment exhibited subtle signs of cooling at the state level, Prince William County’s labor market retained a relatively healthy profile throughout the final quarter of 2022. The unemployment rate remained flat at 2.4% on a quarter-over-quarter basis, while the number of employed residents rose by 1,256. The County’s labor force increased by 1,255 and the number of unemployed remained flat at 5,933. 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. At the time this report was written initial claims for December were not available. But based on the fact claims during October reached a 2022 low of 248 and November’s print of 382 was the third lowest, a reasonable conclusion can be made that broad-based labor market weakness has yet to emerge.

Prince William County’s IGNITE Startup Grant program began accepting applications on January 10, 2023 from high growth companies seeking to expand or locate operations in Prince William County. The \$1 million fund leverages federal American Rescue Plan Act funds to enhance opportunities for funding, education, and networking during key years for scaling startups and high growth businesses. Depending on the applicant’s qualifications, grants will be offered in tranches of \$25 thousand, \$50 thousand, and \$100 thousand. “Prince William County has the makers of Northern Virginia. We have entrepreneurs who invent, tinker, fabricate, and manufacture in a low-cost ecosystem,” said Christina Winn, Prince William County’s Executive Director of Economic Development. “This is an opportunity for entrepreneurs and innovators who have a compelling product or idea that can be tested and executed in the market. If you’ve got a great idea, we want you to apply.”

## Prince William County Real Estate Market

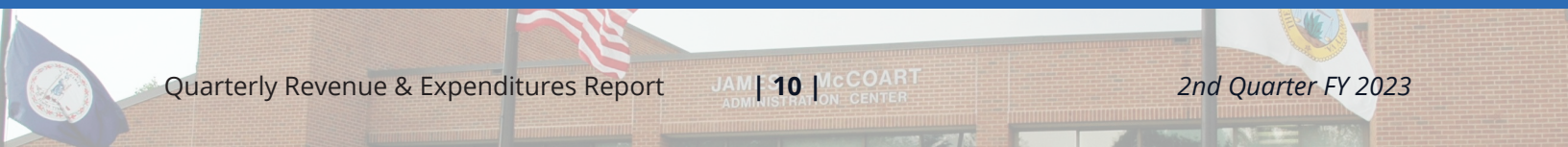
*Residential Sales Activity* The following highlights are based on Metropolitan Regional Information Systems (MRIS) data for the quarters ended December 2022 and December 2021.

Category	Dec 2022	Dec 2021	Increase/(Decrease)
Median Sold Price	\$462,500	\$451,000	2.6%
Units Sold	350	654	-46.5%
Active Listings	399	183	118.0%
Average Days on Market	30	19	57.9%
New Listings	276	386	-28.5%

Housing market activity continued to be dampened by mortgage rates that reached levels above 7.00% in late October/early November, according to Freddie Mac Primary Mortgage Market Survey data. At the time this report was published, 30-year mortgage rates have drifted lower but, on average, remain above 6.00%. Recently, Freddie Mac noted that “with the 30-year fixed-rate down nearly a full point from November, when it peaked at just over seven percent. According to Freddie Mac research, this one percentage point reduction in rates can allow as many as three million more mortgage-ready consumers to qualify and afford a \$400,000 loan, which is the median home price.” Virginia Realtors current monthly Flash Survey indicated buyer activity began to recover in December and January after bottoming in November. The organization’s Buyer Activity Index increased to 39 in January from a

reading of 24 in December and 21 in November. Approximately 17% of realtors assessed buyer activity in their local market as “high” or “very high”, while roughly 38% 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 rose to 52 in January, up from 38 the previous month. Approximately 28% of survey participants thought buyer activity over the next three months would be strong in their respective markets versus 12% in December.

*Commercial Sector* For the quarter ended December 2022, Costar Realty Group (Costar) reported the County’s commercial inventory included 53.3 million square feet (sq. ft.) of space in 2,196 properties with 2.3 million sq. ft. of vacant space. The vacancy rate was 4.3% compared to 3.9% at the end of the prior quarter.



# PRINCE WILLIAM COUNTY

## 2nd 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.

### Second Quarter Summary

1. ***General Fund Reporting*** – This report includes only unrestricted general fund expenditures. It does not include restricted funds within the general fund such as recordation tax designated for mobility, transient occupancy tax mandated for tourism, cable franchise capital grant, proffers, grants, or criminal forfeitures.
2. ***Revised FY 2023 Budget*** – As of December 31, 2022, the revised County government unrestricted general fund budget, excluding transfers, was \$716.0 million.
3. ***Second Quarter General Fund Expenditures*** – As of December 31, 2022, 54.8% 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

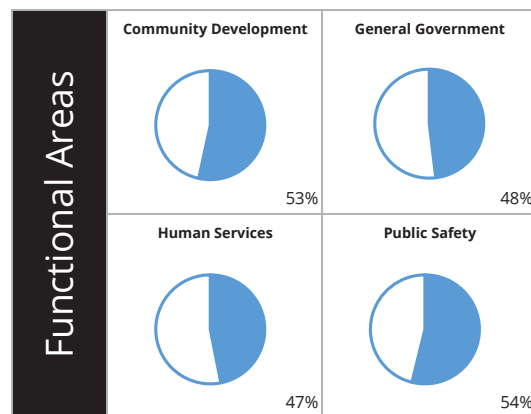
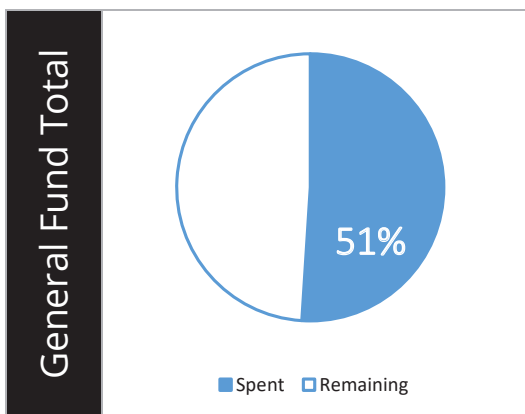
quarter, agencies spent 51.0% of the operating expenditure budget. **Current projections indicate 96.5% of the County government's general fund expenditure budget will be expended by year-end. Projected expenditure savings at the end of the fiscal year are estimated at approximately \$25.0 million.**

Percent of Budget Spent (Including Debt Service & Non-Departmental)	Percent of Budget Spent (Excluding Debt Service & Non-Departmental)
<b>54.8%</b>	<b>51.0%</b>

- Pay Periods per Quarter* – The number of pay periods differ by quarter. The first two quarters included an additional two-week pay period. The additional payroll means agencies will have higher salary and benefit actuals through the first half of the year.
- Information Technology Charges* – Information technology costs for the entire fiscal year were billed to County agencies in the first half of the year. Therefore, Internal Services expenditures are higher than normally anticipated, as well as overall general fund expenditures. After excluding Non-Departmental and Debt Service and adjusting for information technology costs billed for the entire fiscal year, agencies spent 48.9% of the operating expenditure budget.

Percent of Budget Spent (Excluding Debt Service, Non-Departmental, & Internal Services)
<b>48.9%</b>

- Retiree Health Benefit* – Retiree health benefit costs of \$3.2 million were charged for the entire fiscal year in the first quarter.
- Agency Revenue Shortfall* – **General fund agency revenue is projected to be \$15.0 million below budget.** The projected agency revenue shortfall occurs in the Human Services functional area due to Social Services special education private day school placements as well as Community Services reimbursements from the Commonwealth. Additionally, court fines received by the General District Court are projected to be \$1.5 million below budget. Lastly, revenue received by the Department of Parks, Recreation, and Tourism (DPRT) is also projected to be \$1.5 million below budget. DPRT revenue has improved each year since the pandemic (there was a \$5.1 million revenue shortfall in FY2021) and revenue is projected to further improve to pre-pandemic levels.
- Agency Variances* – Notable variances are reported based on the 'Spent %' column on the following pages. Encumbrances are not included in the agency detailed tables and charts.




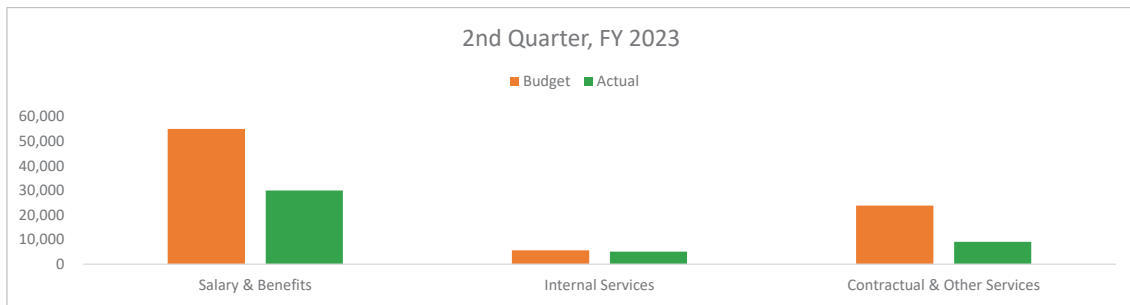
## Community Development Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Community Development</b>	Salary & Benefits	55,059.34	30,014.51	
	Internal Services	5,660.79	5,098.05	
	Contractual & Other Services	23,909.35	9,076.93	
	Reserves & Contingencies	(3,857.44)	(1,059.15)	
	<b>80,772.03</b>	<b>43,130.34</b>	<b>53.40%</b>	




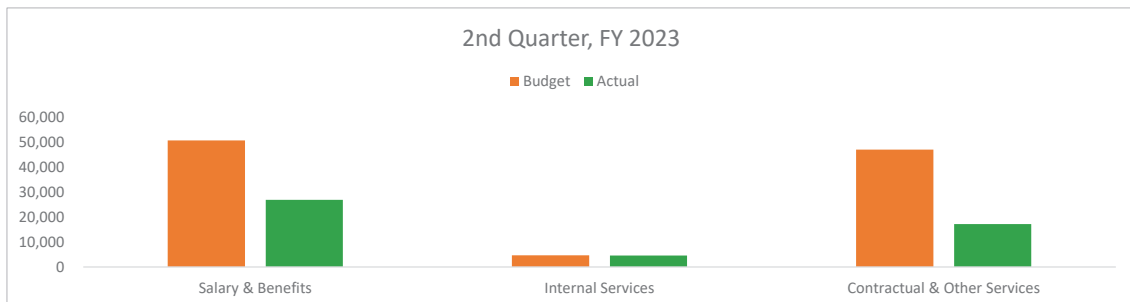
## General Government Functional Area

(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	50,685.11	26,882.20	
	Internal Services	4,705.92	4,554.67	
	Contractual & Other Services	46,993.79	17,183.12	
	Reserves & Contingencies	(4,054.97)	(1,326.64)	
	<b>98,329.84</b>	<b>47,293.35</b>	<b>48.10%</b>	




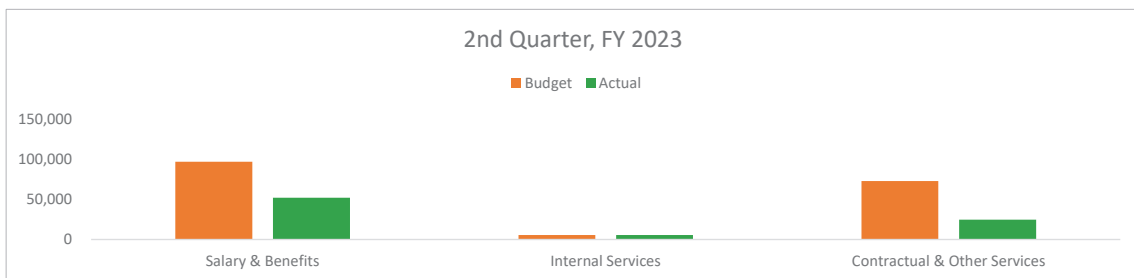
## Human Services Functional Area

(Dollar amounts expressed in thousands)

### Departments & Agencies

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

Functional Area	Spending Category	Budget	Actual	Spent %
<b>Human Services</b>	Salary & Benefits	96,754.12	51,906.42	
	Internal Services	5,577.30	5,445.91	
	Contractual & Other Services	72,821.53	24,778.63	
	Reserves & Contingencies	0.00	0.00	
	<b>175,152.95</b>	<b>82,130.96</b>	<b>46.89%</b>	




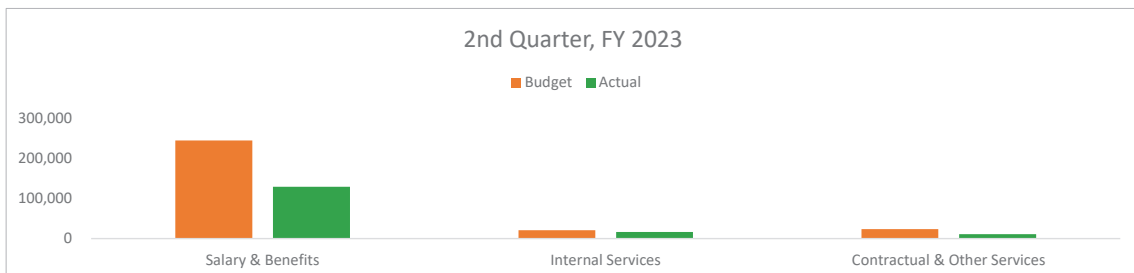
## Public Safety Functional Area

(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

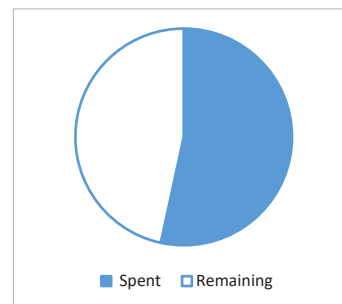
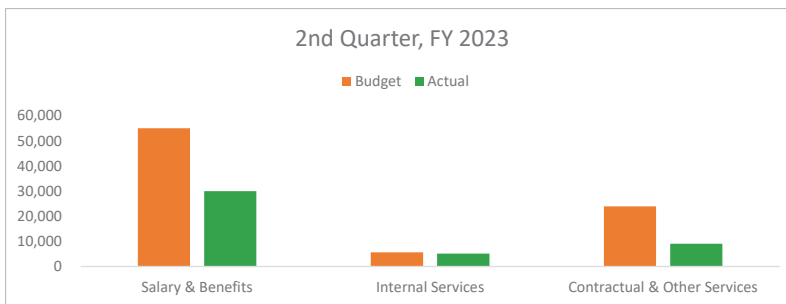
Functional Area	Spending Category	Budget	Actual	Spent %
<b>Public Safety</b>	Salary & Benefits	244,205.00	128,767.01	
	Internal Services	20,995.75	16,303.83	
	Contractual & Other Services	23,421.82	10,971.51	
	Reserves & Contingencies	1,250.00	(22.97)	
	<b>289,872.58</b>	<b>156,019.38</b>	<b>53.82%</b>	



# Community Development Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Economic Development</b>	Salary & Benefits	2,782.09	1,524.76	
	Internal Services	154.39	151.49	
	Contractual & Other Services	2,230.73	721.68	
	Reserves & Contingencies	0.00	0.00	
	<b>5,167.21</b>	<b>2,397.93</b>	<b>46.41%</b>	
<b>Library</b>	Salary & Benefits	16,332.36	8,770.59	
	Internal Services	1,748.02	1,726.94	
	Contractual & Other Services	3,382.78	1,327.61	
	Reserves & Contingencies	0.00	0.00	
	<b>21,463.15</b>	<b>11,825.14</b>	<b>55.10%</b>	
<b>Parks, Recreation &amp; Tourism</b>	Salary & Benefits	26,153.40	14,462.99	
	Internal Services	2,899.82	2,518.60	
	Contractual & Other Services	13,117.36	4,610.98	
	Reserves & Contingencies	(154.00)	(1.73)	
	<b>42,016.58</b>	<b>21,590.84</b>	<b>51.39%</b>	
<b>Planning</b>	Salary & Benefits	1,691.03	704.04	
	Internal Services	164.47	158.01	
	Contractual & Other Services	889.88	655.23	
	Reserves & Contingencies	0.00	0.00	
	<b>2,745.38</b>	<b>1,517.29</b>	<b>55.27%</b>	
<b>Public Works</b>	Salary & Benefits	3,551.13	1,860.72	
	Internal Services	346.41	224.13	
	Contractual & Other Services	1,046.46	448.56	
	Reserves & Contingencies	(168.49)	(75.86)	
	<b>4,775.51</b>	<b>2,457.55</b>	<b>51.46%</b>	
<b>Transportation</b>	Salary & Benefits	4,549.32	2,691.42	
	Internal Services	347.69	318.88	
	Contractual & Other Services	3,242.14	1,312.86	
	Reserves & Contingencies	(3,534.95)	(981.56)	
	<b>4,604.20</b>	<b>3,341.60</b>	<b>72.58%</b>	












## Notable Variances

- Library** - After adjusting for internal services which was billed for the entirety of the fiscal year, the Library spent 51.2% of the budget which is normal after factoring an additional payroll period during the first half of the fiscal year.
- Planning** - Contractual & Other Services expenditures are higher than expected for the first half of the year 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. Second quarter cost recovery has not yet been completed.

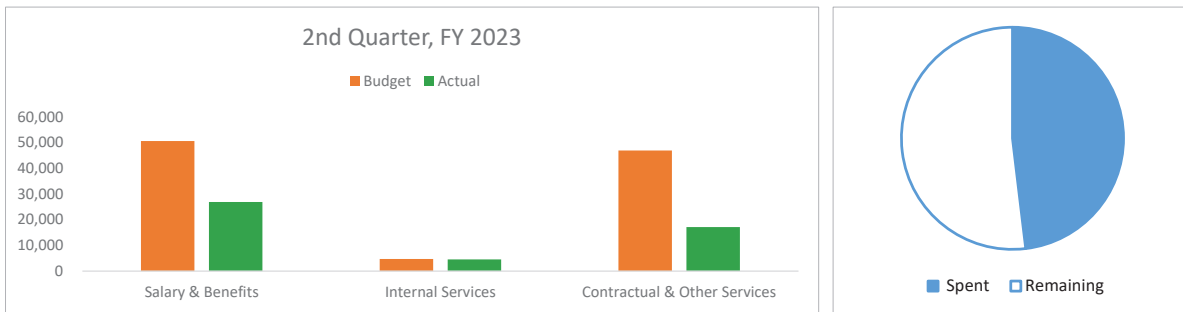


# General Government Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Board of County Supervisors</b>	Salary & Benefits	3,156.00	1,719.71	
	Internal Services	371.95	371.70	
	Contractual & Other Services	2,679.71	749.68	
	Reserves & Contingencies	0.00	0.00	
	<b>6,207.67</b>	<b>2,841.09</b>	<b>45.77%</b>	
<b>County Attorney</b>	Salary & Benefits	4,696.21	2,263.26	
	Internal Services	292.63	292.18	
	Contractual & Other Services	788.14	(47.30)	
	Reserves & Contingencies	(176.93)	(45.84)	
	<b>5,600.06</b>	<b>2,462.30</b>	<b>43.97%</b>	
<b>Elections</b>	Salary & Benefits	1,828.22	1,049.75	
	Internal Services	232.43	233.88	
	Contractual & Other Services	1,695.83	561.83	
	Reserves & Contingencies	0.00	0.00	
	<b>3,756.48</b>	<b>1,845.46</b>	<b>49.13%</b>	
<b>Executive Management</b>	Salary & Benefits	4,592.88	2,160.73	
	Internal Services	268.45	263.33	
	Contractual & Other Services	1,175.80	307.68	
	Reserves & Contingencies	0.00	0.00	
	<b>6,037.12</b>	<b>2,731.75</b>	<b>45.25%</b>	
<b>Facilities &amp; Fleet Management</b>	Salary & Benefits	10,633.58	5,888.09	
	Internal Services	1,205.17	1,070.51	
	Contractual & Other Services	34,144.08	11,838.01	
	Reserves & Contingencies	(2,665.29)	(321.05)	
	<b>43,317.55</b>	<b>18,475.56</b>	<b>42.65%</b>	
<b>Finance</b>	Salary & Benefits	19,221.56	10,301.62	
	Internal Services	1,821.54	1,811.44	
	Contractual & Other Services	5,578.49	3,296.13	
	Reserves & Contingencies	(523.31)	(319.56)	
	<b>26,098.29</b>	<b>15,089.62</b>	<b>57.82%</b>	
<b>Human Resources</b>	Salary & Benefits	4,187.54	2,219.53	
	Internal Services	367.85	365.96	
	Contractual & Other Services	781.73	453.73	
	Reserves & Contingencies	(689.46)	(640.20)	
	<b>4,647.66</b>	<b>2,399.02</b>	<b>51.62%</b>	
<b>Human Rights Office</b>	Salary & Benefits	773.62	413.09	
	Internal Services	46.01	46.01	
	Contractual & Other Services	62.70	6.71	
	Reserves & Contingencies	0.00	0.00	
	<b>882.33</b>	<b>465.81</b>	<b>52.79%</b>	
<b>Management &amp; Budget</b>	Salary & Benefits	1,595.49	866.41	
	Internal Services	99.88	99.67	
	Contractual & Other Services	87.30	16.64	
	Reserves & Contingencies	0.00	0.00	
	<b>1,782.68</b>	<b>982.73</b>	<b>55.13%</b>	

## General Government Functional Area *(Continued)*








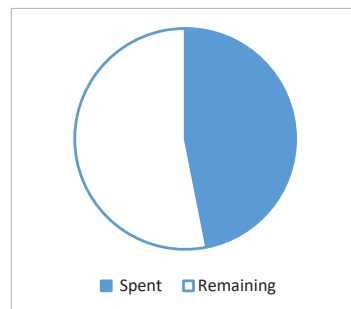
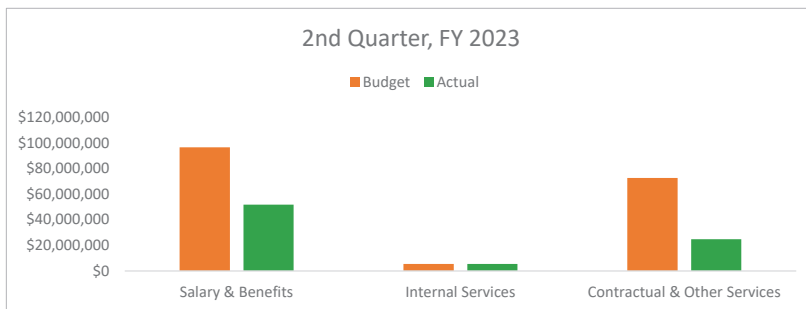
### Notable Variances

- County Attorney** - Budgeted funding for Collective Bargaining activities resides in Contractual & Other Services and has yet to be fully spent.
- Executive Management** - Salary & Benefits savings are due to the County Executive vacancy during the first half of the fiscal year as well as the vacant Communications Director. In addition, Contractual Services encumbrances totaling \$0.5 million will be billed later during the year for services such as developing the community energy/sustainability master plan and legislative consulting fees.
- Facilities & Fleet Management** - Funds of \$16.0 million have been encumbered, primarily for building repairs and maintenance (\$1.9 million), utilities (\$2.9 million), machinery and equipment orders (\$1.3 million), motor vehicle orders delayed due to supply chain issues (\$1.8 million), and property rental (\$4.4 million).
- Finance** - DoIT Internal Services have been billed for the entire year. Contractual & Other Services expenses are higher during the second quarter due to completion of the FY2022 audit.
- Management & Budget** - After adjusting for internal services billed for the entirety of the fiscal year, Management & Budget spent 52.5% of the budget which is normal after factoring an additional payroll period during the first half of the fiscal year.

# Human Services Functional Area

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Aging</b>	Salary & Benefits	3,450.62	2,074.86	
	Internal Services	255.24	242.92	
	Contractual & Other Services	5,611.69	3,345.31	
	Reserves & Contingencies	0.00	0.00	
	<b>9,317.55</b>	<b>5,663.10</b>	<b>60.78%</b>	
<b>Community Services</b>	Salary & Benefits	48,228.49	24,758.42	
	Internal Services	2,515.76	2,468.23	
	Contractual & Other Services	18,309.45	5,853.38	
	Reserves & Contingencies	0.00	0.00	
	<b>69,053.71</b>	<b>33,080.03</b>	<b>47.90%</b>	
<b>Cooperative Extension Service</b>	Salary & Benefits	1,039.55	449.31	
	Internal Services	143.61	143.61	
	Contractual & Other Services	137.89	10.36	
	Reserves & Contingencies	0.00	0.00	
	<b>1,321.06</b>	<b>603.28</b>	<b>45.67%</b>	
<b>Public Health</b>	Salary & Benefits	1,706.80	655.77	
	Internal Services	61.01	55.11	
	Contractual & Other Services	3,096.66	1,591.98	
	Reserves & Contingencies	0.00	0.00	
	<b>4,864.47</b>	<b>2,302.87</b>	<b>47.34%</b>	
<b>Social Services</b>	Salary & Benefits	42,328.65	23,968.05	
	Internal Services	2,601.67	2,536.04	
	Contractual & Other Services	45,665.84	13,977.59	
	Reserves & Contingencies	0.00	0.00	
	<b>90,596.17</b>	<b>40,481.68</b>	<b>44.68%</b>	












### Notable Variances

- Aging** - Salary & Benefits is higher due to an additional two week payroll in the first half of the year. DoIT Internal Services have been billed for the entire year. Finally, the full year costs associated with Birmingham Green (\$2.3 million) were paid in the first quarter.
- Social Services** - The department's underspend is tied to the Children's Services Act (CSA) Program. The payment of CSA expenditures lags 30-60 days.




# Public Safety Functional Area

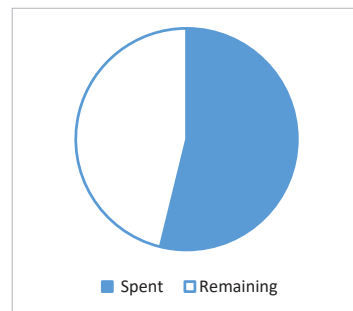
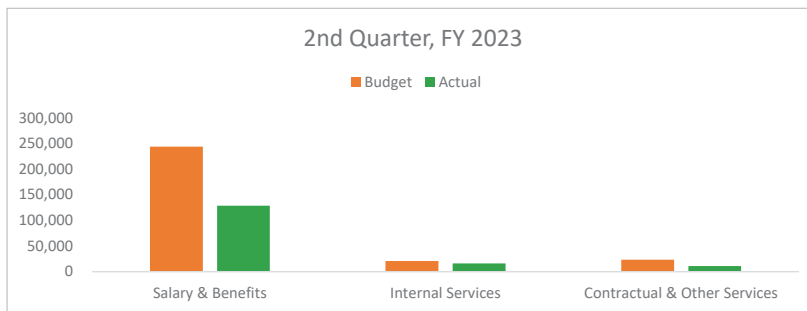
(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Circuit Court Clerk</b>	Salary & Benefits	4,517.23	2,259.19	
	Internal Services	255.61	255.21	
	Contractual & Other Services	528.93	199.60	
	Reserves & Contingencies	0.00	0.00	
	<b>5,301.77</b>	<b>2,714.00</b>	<b>51.19%</b>	
<b>Circuit Court Judges</b>	Salary & Benefits	1,577.95	824.76	
	Internal Services	79.69	79.69	
	Contractual & Other Services	120.34	49.78	
	Reserves & Contingencies	0.00	0.00	
	<b>1,777.98</b>	<b>954.23</b>	<b>53.67%</b>	
<b>Commonwealth Attorney</b>	Salary & Benefits	8,170.85	4,131.16	
	Internal Services	498.71	492.69	
	Contractual & Other Services	485.50	222.15	
	Reserves & Contingencies	0.00	0.00	
	<b>9,155.06</b>	<b>4,845.99</b>	<b>52.93%</b>	
<b>Criminal Justice Services</b>	Salary & Benefits	5,383.17	2,780.57	
	Internal Services	386.89	376.65	
	Contractual & Other Services	684.98	218.43	
	Reserves & Contingencies	0.00	0.00	
	<b>6,455.04</b>	<b>3,375.66</b>	<b>52.29%</b>	
<b>Fire &amp; Rescue</b>	Salary & Benefits	96,804.92	51,915.09	
	Internal Services	4,927.07	4,502.90	
	Contractual & Other Services	7,496.99	3,025.23	
	Reserves & Contingencies	0.00	0.00	
	<b>109,228.98</b>	<b>59,443.22</b>	<b>54.42%</b>	
<b>General District Court</b>	Salary & Benefits	1,071.55	414.27	
	Internal Services	31.37	31.37	
	Contractual & Other Services	216.05	39.83	
	Reserves & Contingencies	0.00	0.00	
	<b>1,318.97</b>	<b>485.48</b>	<b>36.81%</b>	
<b>Juvenile &amp; Domestic Relations Ct</b>	Salary & Benefits	441.71	162.60	
	Internal Services	43.95	43.95	
	Contractual & Other Services	75.97	42.61	
	Reserves & Contingencies	0.00	0.00	
	<b>561.63</b>	<b>249.15</b>	<b>44.36%</b>	
<b>Juvenile Court Service Unit</b>	Salary & Benefits	1,201.78	417.37	
	Internal Services	65.80	61.92	
	Contractual & Other Services	398.74	160.53	
	Reserves & Contingencies	0.00	0.00	
	<b>1,666.33</b>	<b>639.82</b>	<b>38.40%</b>	
<b>Magistrates</b>	Salary & Benefits	88.73	47.78	
	Internal Services	20.13	20.13	
	Contractual & Other Services	10.39	1.53	
	Reserves & Contingencies	0.00	0.00	
	<b>119.24</b>	<b>69.44</b>	<b>58.23%</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	52,572.35	
	Internal Services	12,870.33	8,869.25	
	Contractual & Other Services	9,941.52	5,139.92	
	Reserves & Contingencies	1,250.00	0.00	
	<b>124,107.51</b>	<b>66,581.51</b>	<b>53.65%</b>	
<b>Public Safety Communications</b>	Salary & Benefits	11,617.39	6,068.93	
	Internal Services	572.46	563.87	
	Contractual & Other Services	2,188.45	1,273.65	
	Reserves & Contingencies	0.00	0.00	
	<b>14,378.30</b>	<b>7,906.45</b>	<b>54.99%</b>	
<b>Sheriff</b>	Salary & Benefits	13,284.03	7,172.95	
	Internal Services	1,243.75	1,006.21	
	Contractual & Other Services	1,273.97	598.25	
	Reserves & Contingencies	0.00	(22.97)	
	<b>15,801.76</b>	<b>8,754.44</b>	<b>55.40%</b>	




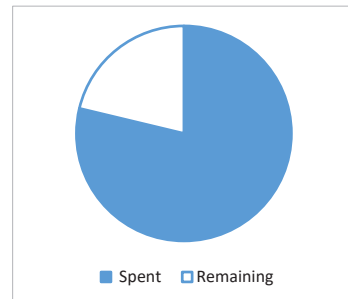
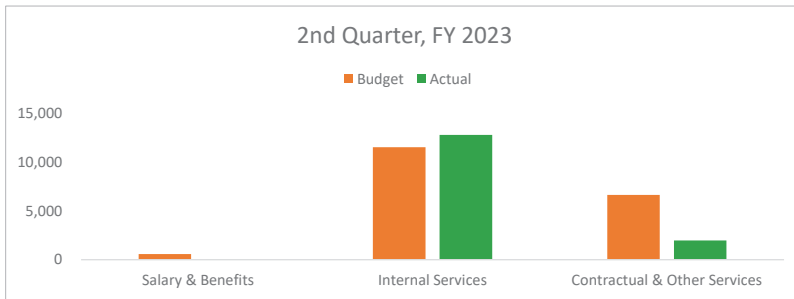
## Notable Variances

- Fire & Rescue** - After adjusting for internal services billed for the entirety of the fiscal year, Fire & Rescue spent 52.7% of the budget which is within acceptable parameters after factoring an additional payroll period during the first half of the fiscal year.
- General District Court** - Salary & Benefits is underspent due to vacancies. 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.
- Juvenile Court Service Unit** - Salary & Benefits is underspent due to staff vacancies and the second quarter local salary supplement payment being processed after the close of the quarter. Contractual & Other Services is underspent due to the payment to community partner being processed after the quarter ended.
- Police** - After adjusting for internal services billed for the entirety of the fiscal year, Police spent 51.9% of the budget which is within acceptable parameters after factoring an additional payroll period during the first half of the fiscal year.
- Public Safety Communications** - DoIT Internal Services have been billed for the entire year. Funds of \$896 thousand have been spent for Motorola NG911 maintenance & support, and UPS equipment.
- Sheriff** - After adjusting for internal services billed for the entirety of the fiscal year, the Sheriff's Office spent 53.2% of the budget which is slightly higher than normal but still manageable when factoring an additional payroll period during the first half of the fiscal year.

## 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	11,580.93	12,840.69	
	Contractual & Other Services	6,671.88	1,969.70	
	Reserves & Contingencies	0.00	0.00	
			<b>18,828.55</b>	




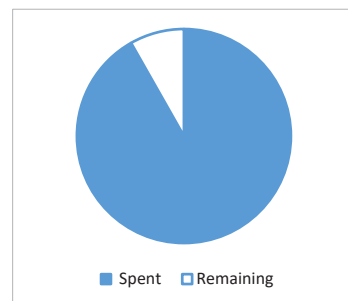
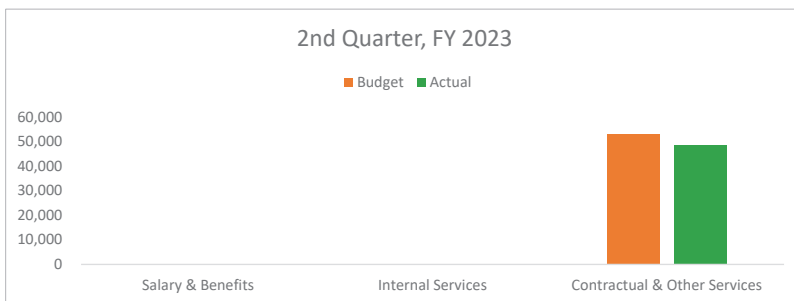
### Notable Variances

- Non-Departmental** - The following payments were made during the first half of the fiscal year: Self-Insurance Workers Compensation (\$6.5 million), Countywide Information Technology internal services costs (\$3.4 million), Self-Insurance Casualty Pool (\$2.9 million), Property and Miscellaneous Insurance Premiums (\$0.7 million), Unemployment Insurance & Contingency (\$0.02 million), Hylton Performing Arts Center Contribution (\$0.6 million), and Northern Virginia Community College Contribution (\$0.6 million).

## Debt Service

(Dollar amounts expressed in thousands)

Department	Spending Category	Budget	Actual	Spent %
<b>Debt Service</b>	Salary & Benefits	0.00	0.00	
	Internal Services	0.00	0.00	
	Contractual & Other Services	53,004.52	48,649.86	
	Reserves & Contingencies	0.00	0.00	
			<b>53,004.52</b>	



### Notable Variances

- Debt Service** - The majority of the County's debt service obligations are scheduled for payment in the first half of the fiscal year.



**PRINCE  
WILLIAM**  
— COUNTY

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

1 County Complex Court  
Prince William, VA 22192

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