



FINAL FIGURES PRESENTED FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The FY 2019 yearend figures were presented to the Finance Committee on September 18, 2019 and reported revenues in excess of expenditures in the amount of \$5.6 million. The actual revenue exceeded projections by \$6.2 million and the county had unspent budgeted expenditures in the amount of \$6.9 million. At this time, these numbers are unaudited and staff anticipates any changes to be minimal.

The majority of the budgeted revenue surplus was realized in property taxes (real estate, personal property, machinery and tools, etc.), recovered costs, and other local taxes. The largest variance from budget to actual is in real estate tax in the amount of \$2.6 million, which falls in the property taxes category. This was partially a result of a 1¢ increase in the real estate tax rate that was effective January 1, 2019 and collected in June 2019. Another significant variance is in recovered costs, which include proffers collected in the amount of \$1.3 million. Proffers cannot be budgeted or used for General Fund operating costs, which results in this category always showing a variance. The budgeted variance in other local taxes is partially attributed to the continued growth in business licenses.

The county ended the fiscal year with \$6.9 million in unspent, budgeted expenditures. \$1.4 million of the unspent expenditures represent purchase orders which remained outstanding at year end for both the County and the Schools. This amount was re-appropriated in FY 2020. A summary of the remaining unspent funds by category include the following:

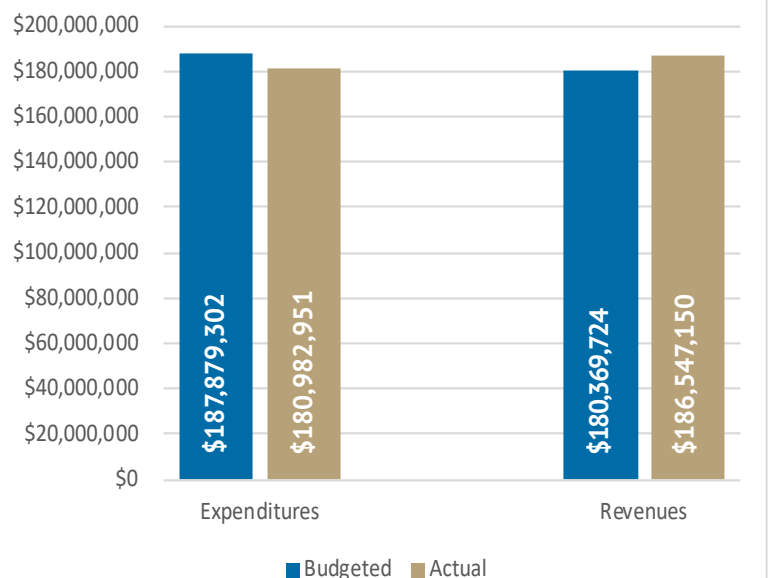
- Schools—\$1.4 million of which all was re-appropriated in FY 2020 for obligated grant funds, and the purchase of 10 school buses;
- Fire & Rescue overtime and uniforms savings—\$0.4 million;
- Public Works Projects Carry Forward—\$0.3 million which was re-appropriated in FY 2020;

- Volunteer Fire Company Capital Carry Forward—\$0.1 million which was re-appropriated in FY 2020;
- Parks and Rec state grant funds for Abrams Creek Parkway—\$0.8 million;
- Social Services savings in local funds—\$0.6 million; and
- County office buildings maintenance savings—\$0.1 million.

Some additional factors that contributed to the savings in the operating category include unspent funds in the merit and contingency budgets, and staff turnover and vacancies. The charts on the following page provide a breakdown of revenues and expenditures for FY2019.

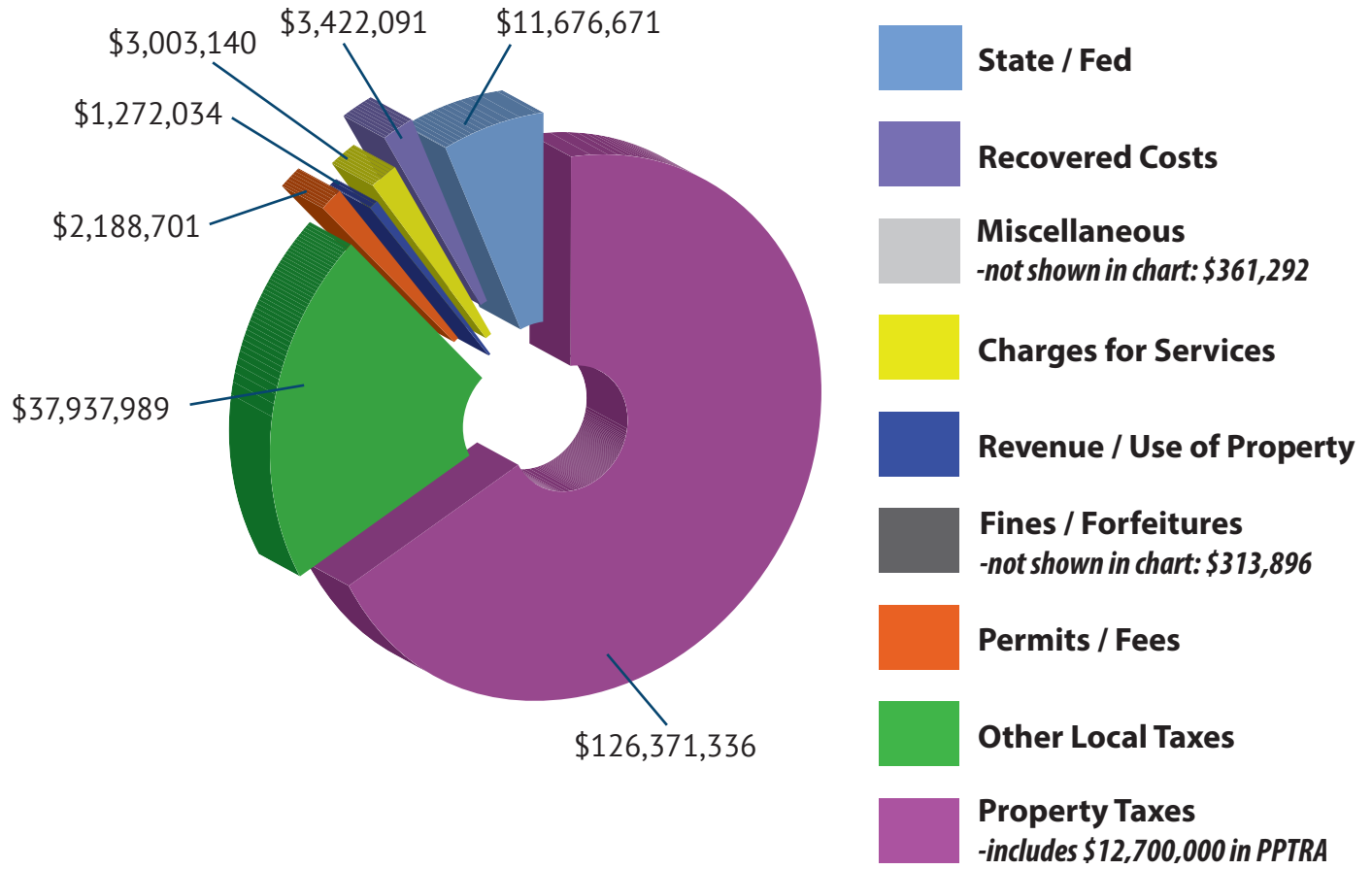
Snapshot

FY2019 YEAR END

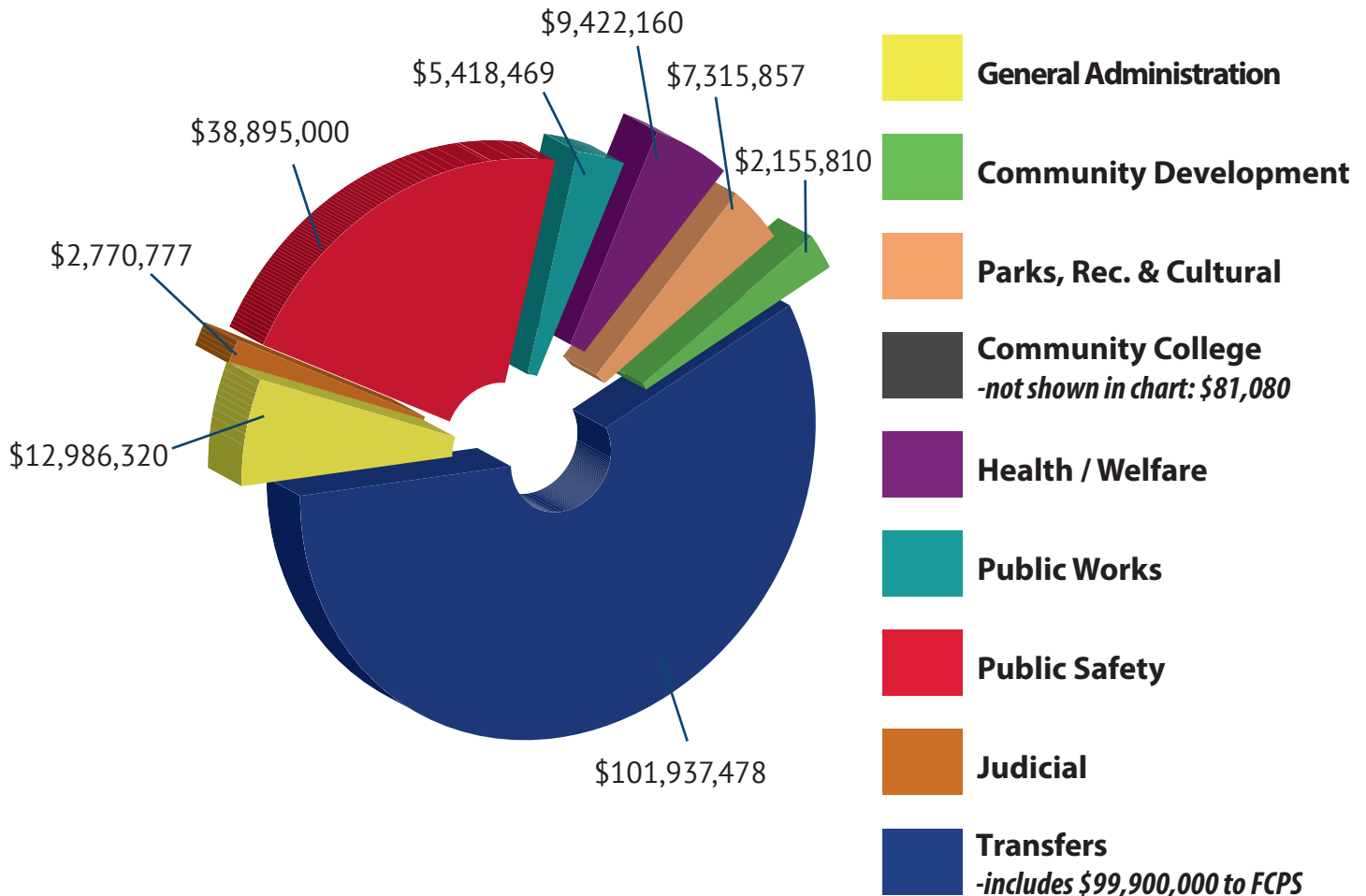


FY2019 YEAR END REVENUE AND EXPENDITURES

FY2019 YEAR END REVENUE



FY2019 YEAR END EXPENDITURES



FY2019 PURCHASING CARD REBATE RECEIVED

Frederick County uses a VISA Purchasing Card Program as part of its streamlining effort to improve procurement efficiency. P-Card is short for Purchasing Card. A P-Card is a VISA credit card that can be accepted and processed by any merchant who accepts VISA. It is the goal of the County to pay ALL vendors with a P-Card, regardless of the purchase amount or type of service/materials purchased.

This is a profitable, efficient, and progressive opportunity for both the County and our vendors. Vendors can improve cash flow when they receive payment in a matter of days and have the ability to invest money back into the business quicker. The vendor may be able to reduce or eliminate new account set up, invoice processing, billing, and collection. Frederick County and other customers are more likely to spend with suppliers that have simple payment processes and can accommodate their need for payment options.

The County recognizes several benefits, such as a shorter procurement cycle time, reduced process costs, ability to make online purchases, and the rebate received. According to the National Association of Purchasing Card Professionals (NAPCP), the average process costs for a traditional procure-to-pay (P2P) process is \$90 versus a P-Card P2P process cost of \$20 – a savings of \$70 per purchase! The purchasing card program reduces the volume of accounts payable transactions and the associated administrative costs by eliminating vendor invoices and consolidating multiple vendor payments into one monthly payment to the charge card vendor. Savings are also realized from the elimination of 1099 reporting requirements; no check printing, stuffing, and mailing; and no individual vendor payment entry. An additional benefit to the County is the ability to identify the employee who makes each purchase.

Frederick County received a \$216,723 rebate for fiscal year 2019 p-card spend – the largest since implementing p-cards, and an increase of \$11k over 2018. The county is able to earn a higher rebate percentage by participating under the umbrella of Commonwealth of Virginia’s (COV) purchase card program.

Frederick County received a \$216,723 rebate for fiscal year 2019 p-card spend – the largest since implementing p-cards, and an increase of \$11k over 2018. The county is able to earn a higher rebate percentage by participating under the umbrella of Commonwealth of Virginia’s (COV) purchase card program. While the county’s p-card program is its own, the spend is pooled with all state agencies, institutions of higher learning, and other participating political subdivisions to earn a larger rebate percentage based on the combined dollars spent. The total spend for the COV’s program was \$949,053,729 for fiscal year 2019 which resulted in a rebate for the County that was approximately 50 basis points greater than a having standalone program. There are 179 political subdivisions that participate in the COV p-card program and Frederick County is number five in spend volume.

Snapshot

FY 2019 County P-card Stats:

- Card Spend: \$12,895,864***
- # of Transactions: 14,243***
- Average transaction: \$905***
- Active cards: 412***

Year to Date OVERALL GENERAL FUND PERFORMANCE

Ending September 30, 2019

The General Fund is the chief operating fund for the County and includes multiple programs, services, and activities for the citizens of Frederick County. The FY 2020 appropriated budget for revenues and expenses (including transfers to other funds) is \$192,727,309 and \$202,611,601 respectively. The appropriated budget includes the original adopted budget plus any budget amendments after the start of the fiscal year.

September 30, 2019 is the end of the first quarter of fiscal year (FY) 2020. With 25% of the year complete, the General Fund revenues are at 10% of appropriated revenue, which is very typical for this time of year due to the cyclical receipts of most revenues. The County's largest revenue source is property taxes that are due in December and June each year. Actual expenditures are at 28% of yearly appropriated expenditures.

General Fund Revenues

The total General Fund revenue collected through September 30, 2019 shows a net increase of \$3.2 million when compared to the same time last year.

Property Taxes are taxes collected for property housed in the County, including real estate, personal property, and machinery and tools tax. Total property taxes collected decreased \$0.1 million or 2.8% through the first quarter of FY 2020 compared to FY 2019. The decrease includes an increase of \$134k in real estate and a decrease of \$342k in personal property. The personal property decrease is primarily due to a large amount of taxes paid in advance in FY 2019, \$275k more than in the current year. The most comparable quarters each year are the second and fourth due to tax collection due dates.

Other Local Taxes include local sales and use tax, communications sales tax, utility taxes, business licenses, auto rental tax, motor vehicle licenses fees, recordation taxes, meals tax, lodging tax, street lights, and Star Fort fees. The total net increase of \$1.0 million through September was impacted by an increase in local sales and use tax, recordation taxes, business licenses, utility taxes, and meals tax combined with decreases in communications sales tax and motor vehicle license fees. Business licenses realized the largest increase (\$417k) of which half can be attributed to increased assessments and the remaining half is due to forced collections.

Local sales taxes consist of the portion of the state sales tax that is remitted to the locality. The state sales tax is 5.3% with the state returning 1% back to the locality. Collections increased \$105k, or 9%, through the first quarter of FY 2020 compared to the prior year.

Permits and Privilege Fees mainly include dog licenses and various building related permits. These permit collections fluctuate with the economy and housing industry. The total permits have increased \$92k when compared to last year, and include increases in building, electrical, and land disturbance permits.

Revenue from the **Use of Money and Property** includes investment income and rental income which has increased \$174k for FY 2020. In September 2019, the Federal Reserve cut the Federal Funds rate 25 basis points.

Snapshot

Year Over Year Revenue Collection

- Property Taxes ▼
- Other Local Taxes ▲
- Permits & Privilege Fees ▲
- Use of Money & Property ▲
- Charges for Services ▲
- Recovered Costs ▲
- Proffers ▲
- State Revenue ▲
- Federal Revenue ▲
- Miscellaneous ▼

Local sales taxes consist of the portion of the state sales tax that is remitted to the locality. The state sales tax is 5.3% with the state returning 1% back to the locality.

This was the second rate cut of 2019 and is part of the effort to continue economic expansion. We anticipate level or reduced interest earnings for the remainder of FY 2020.

Charges for Services are fees collected from the public for services rendered, recreation admission/user fees, court costs, etc. There is an increase of \$6k when comparing year-to-date collections.

Miscellaneous revenues are monies collected that do not fall under any specific category. This category reflects a first quarter decrease in the amount of \$70k.

Recovered Costs are monies received as reimbursements for joint jurisdiction programs. The category has increased by \$14k when compared to last year.

A **Proffer** is an offer by a landowner during the rezoning process to perform an act or donate money, a product, or services to justify the propriety of a proposed rezoning. Proffers cannot be budgeted for operating costs and are generally designated for specific capital uses.

Intergovernmental revenues are monies received from the **State of Virginia** and the **Federal** government that is designated for specific purposes. This revenue can be somewhat inconsistent year to year depending on various grant availability and funding cycles. The \$31k increase from the Commonwealth primarily consists an increase in emergency services grants.

General Fund Expenditures

The total FY 2020 expenditures, including transfers, have increased \$10.3 million year to date compared to FY 2019 for the same period. The largest portion of the increase is due to transfers, which realized a net increase of \$6.2 million primarily due to the \$7 million transfer for the Board of Supervisors capital reserve fund in FY 2020.

General fund expenditures increased in the amount of \$3.2 million which is a mainly \$2.1 million for the purchase of Sunnyside Plaza, combined with a \$1.1 increase in salaries and fringe benefits for the Sheriff and Fire & Rescue positions. Parks & Recreation also increased by \$0.3 million due to opening and staffing an additional Camp BasicREC location this summer, expanding the pool parking lot at Clearbrook Park, and the development work at the new Sherando Park Warrior Drive entrance. The Sherando Park work to date includes a new roadway, parking, and outdoor gym. Public Works expenditures have decreased year to date by \$0.3 million due to the completion of the Stephenson Compactor site in the previous year.

A comparative statement of general fund revenues and expenditure is provided on the following page.

Snapshot

Year Over Year Expenditures

- General Administration 
- Judicial Administration 
- Public Safety 
- Public Works 
- Health & Welfare 
- Community College 
- Parks & Rec 
- Community Development 

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Year to Date

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES Ending September 30, 2019

REVENUES:		FY20 9/30/2019 Actual	FY19 9/30/2018 Actual	YTD Actual Variance
	Appropriated			
General Property Taxes	131,452,356	5,111,845	5,256,779	(144,934)
Other local taxes	39,112,454	4,578,324	3,608,394	969,930
Permits & Privilege fees	2,050,249	626,772	534,315	92,456
Revenue from use of money and property	772,167	578,025	468,728	109,297
Charges for Services	3,230,476	725,269	718,947	6,322
Miscellaneous	551,826	85,426	155,353	(69,927)
Recovered Costs	1,780,902	249,270	235,477	13,792
Proffers		432,265	351,276	80,989
Intergovernmental:				
Commonwealth	11,605,363	5,098,787	5,067,940	30,848
Federal	5,000	19,338	7,168	12,170
Insurance Recoveries	-	7,703	3,104	4,599
Transfers	2,166,516	2,166,516	52,896	-
TOTAL REVENUES	192,727,309	19,679,539	16,460,378	3,219,161

EXPENDITURES:

General Administration	16,557,071	7,227,396	4,789,871	2,437,525
Judicial Administration	3,111,161	745,926	733,662	12,263
Public Safety	42,940,689	10,820,350	9,384,201	1,436,149
Public Works	6,053,091	1,051,851	1,370,548	(318,697)
Health and Welfare	10,601,919	2,286,521	2,111,179	175,341
Community College	81,308	20,327	20,270	57
Parks, Recreation, Culture	7,814,760	2,128,868	1,788,376	340,492
Community Development	2,196,035	362,392	379,940	(17,548)
TOTAL EXPENDITURES	89,356,036	24,643,630	20,578,049	4,065,582

OTHER FINANCING SOURCES (USES):

Transfer to School Operating	86,670,710	225,545	542,862	(317,317)
Transfer to School Operating Capital	0	0	503,416	(503,416)
Transfer to School Debt Service	16,248,300	0	0	-
Transfer to County Debt Service	2,265,529	201,219	196,887	4,333
Reserves and Contingencies	8,071,026	7,000,150	50	7,000,100
Operational Transfers	0	115,104	120,893	(5,789)
TOTAL OPERATING TRANSFERS TO/FROM	113,255,565	7,542,018	1,364,109	6,177,909

Excess (deficiency) of revenues & other
sources over expenditures

& other uses (9,884,292) (12,506,110) (5,481,779)

Fund balance funding is not reflected in revenues.

FY 2020 UNASSIGNED FUND BALANCE

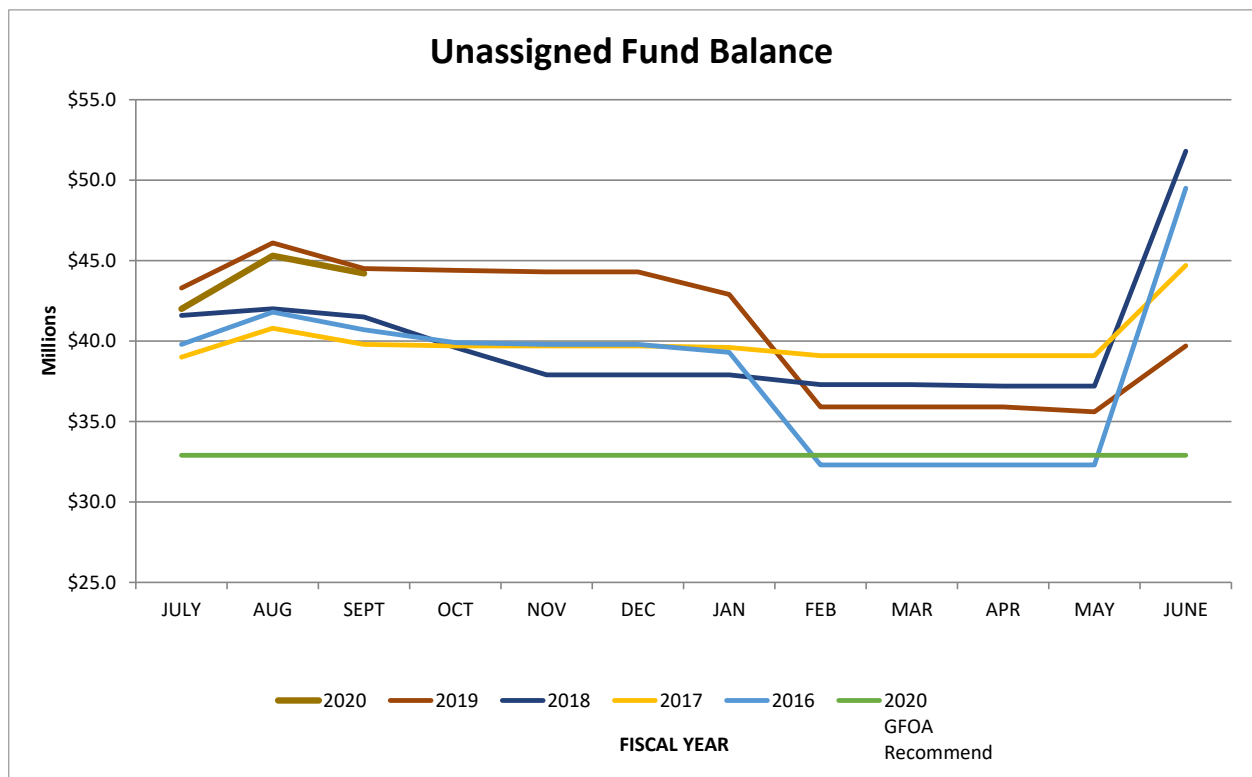
As of September 30, 2019

Fund Balance is the excess dollars of what the County owns (assets) and what the County owes (liabilities). There are several reasons that fund balance is important. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing for operations and cash flows. Cash flow becomes a critical component since half of the largest revenue source is collected at the end of the budget year with the June 5th tax collection.

The Government Finance Officers Association (GFOA) recommends that unassigned fund balance be maintained at no less than two months of regular operating revenues or regular operating expenditures and states that it “is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates.” For Frederick County’s general fund, that equates to approximately \$32.9 million or 16.7% of the total general fund operating revenues for FY 2020. As of September 30th, the County’s fund balance is above the recommendation at 22.4% (\$44.2 million). The Board of Supervisors created the Capital Fund to set aside unreserved fund balance funds in excess of 20% of the regular general fund operating budget to address current and future capital needs for the County and the Schools. Quarter 1 fund balance reflects FY 2019 year end balances, adjusting entries, and audit adjustments. This balance will be reduced by \$4.5 million in the next quarter to comply with the newly created Capital Fund reserve.

The County monitors unassigned general fund balance monthly. Over the years, fund balance has been used to balance the General Fund budget. The General Fund fund balance was reduced by \$7 million to transfer to the BOS Contingency Fund for the FY 2020 budget year. This represents an increase of \$5 million compared to the fund balance funding used to balance the FY 2019 budget. Fund balance has been regularly used to balance the budgets in the past, and at year-end those funds have been routinely returned to unassigned fund balance as a result of unbudgeted revenues or unspent expenditures. For the FY 2020 budget, no fund balance funds were used to balance the General Fund operating budget. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

The chart below shows a five-year history of the County’s unassigned fund balance.



FREDERICK COUNTY FINANCE COMMITTEE

SUMMARY OF ACTION ITEMS—FY 2020, FIRST QUARTER

The Finance Committee generally meets at 8:00 a.m. on the third Wednesday of each month in the First Floor Conference Room in the County Administration Complex. The committee is comprised of three board members and three citizen members. The Treasurer and the Commissioner of the Revenue serve as non-voting liaisons.

The primary function of the committee is to review matters of a financial nature including proposed changes to fiscal/procurement policies and the review and recommendation for matters of a financial nature coming forward to the Board including, but not limited to, supplemental appropriations, transfers and contracts.

The following were the meeting dates for the first quarter of fiscal year 2020:

- July 17, 2019
- August 21, 2019
- September 18, 2019

The following are General Fund supplemental appropriation requests which required local funds:

- \$436,914 for the local portion of the FY 2020 Airport Capital budget;
- \$19,895 for salary and fringes for an Administrative Investigator (part-time to full-time) for the Commonwealth's Attorney office;
- \$23,890 to carry forward unspent spay/neuter funds for the Animal Shelter;
- \$337,657 to carry forward unspent refuse projects;
- \$15,000 to appropriate funds from the Flemming Trust for spay/neuter at the Animal Shelter;
- \$71,942 to carry forward unspent funds for the ongoing Recreation Access Project at Northwest Sherando Park;
- \$52,755 to carry forward unspent funds for ongoing building repair and maintenance projects;
- \$257,019 to assist Winchester City Fire & Rescue with the completion of the Burn Building Replacement Project; and
- \$25,835 to carry forward unspent funds for replacement vehicle for the Sheriff's Department.

The following are General Fund supplemental appropriation requests which required no local funds:

- \$62,196 for Sheriff's Department reimbursements, insurance claims, and recovered costs;
- \$250 for the Commonwealth's Attorney office for the sale of an obsolete firearm;
- \$2,560 for Parks & Recreation PLAY Fund donations;
- \$8,500 in proffer funds for a swing set addition to the existing Rose Hill Park playground;
- \$7,000 in proffer funds for a Pickleball court at Frederick Heights Park;
- \$500 for a donation from the Molden Family for a park bench at Rose Hill Park;
- \$56,000 in PEG funds to update the presentation equipment in the BOS meeting room; and
- \$50,000 (pending grant award) for Parks & Recreation PeopleForBikes grant.

The committee also held discussions on the following topics:

- An OPEB trust;
- Annual review of the Finance/Audit Committee charter;
- An update to the County's Purchasing Policy; and
- FY 2019 yearend financial information for County and Schools.

All Finance Committee Agendas and Reports can be found online, www.fcva.us/fincomm.

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Beginning in 2020 our Finance Newsletter will go electronic!
Visit www.fcva.us/getenews and sign up to receive e-newsletters from
Frederick County Government.

Keep up to date on information about Frederick County Government through our
NewsRoom: www.fcva.us/news