FY25 Mid-year Update and Economic Outlook

Town Council Work Session

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Agenda

- Financials FY 2025 – status of Revenues and Expenditures
- Economic outlook
- Key Budget Process dates

Finance Summary FY 2025 – General Fund Revenues

($ thousands)	FY 2025			Var to Budget	
Revenue Description	Revised Budget	Act thru 12/31/24	Projected	$	%
General Property Taxes	14,206	14,128	14,206	0	0.0%
Other Local Taxes	17,181	5,987	18,342	1,161	6.8%
Permits & Fees	663	423	847	183	27.6%
Fines & Forfeitures	388	229	457	70	18.0%
Use of Money & Property	1,821	1,112	2,001	181	9.9%
Charges for Services	2,363	1,369	2,738	375	15.8%
Misc. Revenue	54	37	54	-	0.0%
Intergovernmental Revenue	5,404	3,003	5,674	270	5.0%
Other Financing Sources	155	322	322	167	108.1%
Total	**42,234**	**26,610**	**44,642**	**2,407**	**5.7%**
Use of Fund Balance	9,946	-	6,446		
Total with Use of Fund Balance	52,181	26,610	51,088		

General Revenues projected 5.7% favorable to Budget

- BPOL forecast based on $7.0M FY24 actuals (Budget of $6.1M)
- Occupancy and Meals taxes are trending favorable to budget.

Financial Summary FY 2025 – General Fund Expenditures

($ thousands)	FY 2025				
Revenue Description	**Adopted Budget**	**Revised Budget**	**Act thru 12/31/24**	**Encumbered**	**Availabble**
Personnel Services	30,380	30,380	14,080	-	16,300
Operations and Maintenance	9,490	13,009	4,888	2,790	5,331
Capital Outlay	2,249	6,325	991	803	4,531
Non-Departmental & Transfers	1,156	1,072	228	135	708
Debt Service	1,395	1,395	231	2	1,161
Total	**44,669**	**52,181**	**20,420**	**3,730**	**28,032**
% of revised Budget			39.1%	7.1%	53.7%

Notes

- Personnel costs on budget at the Fund level; Market rate adjustment effective January 2025.
- Revised Budget O&M includes professional fees related to the Comprehensive Plan, Market Study, and Affordable Housing; The RFP's for this work are in-process.
- Capital Outlay includes the Summer Amendment adding previously appropriated downtown development costs.

Mid-year News & Notes - Other Funds

Capital Projects Fund

- The East Spring St project approaching completion. This project is funded by local transportation funding.
- Sidewalks, Trails and Bicycle project group: totals $88K YTD with budget of $500K

ARPA

- Total Obligated Funds met Federal deadline of 12/31/24.
- $5.5M encumbrance balance expected to be spent by 12/31/26.
- Fund has earned $198K interest YTD; $1.9M since FY 2022

Storm Water Mgt

- New for FY 2025
- Revenues include $432K of Shared Tax Revenue
- Expenditures will include
  - ✓ Four FTE's
  - ✓ Stream Restoration project ($1.4M) funded via additional grant
  - ✓ Storm Drain Improvement project ($989K)

Mid-year News & Notes - Other Funds

Water and Sewer Fund

- YTD Revenue: $5.9M, 47.1% of annual budget
- $2.1M YTD spending + encumbrances for W-S funded by ARPA
- Model Update underway to set future rates & debt

Revenues *($M)*	YTD	FY25B
Water	2.3	4.2
Sewer	2.7	5.8
Availability Fees	0.4	1.7
Interest & other	0.5	0.9

Centennial Golf

- Revenues dependent on weather but pace currently on budget.
- Master Plan Tee-Box Project ($1.7M) expected to be completed by Spring.
- Clubhouse Master Plan projects enter design phase in FY25 ($0.6M budgeted)

Chestnut Grove Cemetery

- Pace of revenues currently favorable to budget
- Master Plan Improvement Project ongoing
  - ✓ will extend the operational life of the cemetery by ~15 years
  - ✓ $347K funded by ARPA

Economic Outlook

The current economy is defined by stable economic growth, a softening labor market, slowing inflation and solid market returns.

- **Economic Growth:** Forecast for 2025 is 2.0%–2.1%
  - Northern Virginia represents 42% of the State GDP with YOY growth for the regions and Fairfax County of over 9%.

- The **Inflation rate** has dropped to 2.7% in the region.
  - Risk of a recession is very low. Inflation rates are expected to be ~2.5% in 2025 and may not find the Federal Reserve target of 2.0% by year end.

- **Unemployment** currently at 4.2% nationally, 2.6% locally. (Full employment = 2.5 - 3.5%.)
  - The increase in unemployment is a normalization, not a deterioration.
  - "We expect business leaders will continue to curb wage growth, hire with caution, proceed with strategic layoffs and drive stronger productivity to contain costs heading into 2025" *(EY Parthenon).*

***Sources**: Vanguard, Nerd Wallet, MSNBC Steve Rattner Blog, EY Parthenon, CNBC, Forbes, Fairfax County EDA, US Bureau of Economic Analysis, Bureau of Labor Statistics*

Economic Outlook

- **Interest rates**
  - Federal Reserve rate cuts will continue but at a slower pace, and assuming further progress on inflation.
  - Mortgage rates remain at or above 6%. Mortgage rates are driven by 10-yr Treasury Bonds whose yields remain higher because of lingering concerns about inflation.
  - Credit Card debt in American continues to rise.

- Characteristics of the strong economic outlook continue to remain illusive at the **household** level.

- **Risks** to the economy could include
  - International conflict
  - Policies that impact supply chains or create trade wars
  - Substantial electrical disruptions
  - Natural disasters
  - Lost consumer confidence
  - Global Oil production

***Sources**: Vanguard, Nerd Wallet, MSNBC Steve Rattner Blog, EY Parthenon, CNBC, Forbes, Fairfax County EDA, US Bureau of Economic Analysis, Bureau of Labor Statistics*

FY 2026 Budget Process – Upcoming Key Dates

Activity	Date
Draft Operating Budgets completed by Departments	Complete
Preliminary Real Estate Assessment info expected from the County	~Jan 22
TC Work Session – Davenport presentation on Water-Sewer	Feb 18
Proposed FY26 Budget delivered to Council and available to residents	Mar 4
TC Work Sessions: Fund Presentations and discussions	March
Full Proposed Budget Book – review for adoption	Apr 1
Begin Public Hearings	Apr 8
Budget Adoption	Apr 22