

COUNTY OF YORK

MEMORANDUM

DATE: May 18, 2020

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator 

SUBJECT: Report #2 Revenue Forecasting Impacts of the Coronavirus –
May Report based on Revenues through April 2020

Due to the unpredictable and uncertain financial and economic impacts of the Coronavirus for governments, businesses and families, last month we developed the first in a series of reports that will provide a tool to evaluate the risks to the County's revenues and overall finances; provide analysis of revenue trends; update revenues collected; and provide revenue projections. The report will be updated to adapt to the evolving environment from time to time as substantive additional information becomes available. This month a new section entitled "Summary of Changes since Last Month's Report", provides new information that informed the updated FY2020 and FY2021 revenue projections. As more information becomes available the projections will continue to be fine-tuned throughout the year. The information from the revenue forecasts is being used to adapt expenditure plans, consider potential use of reserves, assess risks to cash flows and evaluate debt issuance plans.

On May 12, 2020, as this month's report was being finalized, the State's Secretary of Finance, Aubrey L. Layne, Jr. provided the localities with allocation amounts for the Federal CARES Coronavirus Relief Funds (CRF). York's share of the \$3.1 billion allocation to the State is \$5,957,167. Based on the State's memorandum, at this point, federal guidance indicates that the CRF funds can only be used for direct costs associated with the responses to the COVID-19 pandemic and cannot be used to make up for revenue shortfalls. State and local government officials have requested that this restriction be lifted or that additional federal funds be provided to address the loss of state and local revenue. To date, no action has been taken by Congress to allow that flexibility or to provide funding for that purpose. Future monthly reports will include CRF revenue information.

McGettigan/3737

Attachment:

- Report # 2 - Revenue Forecasting Impacts of the Coronavirus, May 2020 – Revenue through April 2020

**Revenue Forecasting Impacts of the Coronavirus
Report #2**

May 2020 – Revenue through April 2020

May 12, 2020

The financial and economic impacts of the Coronavirus are unpredictable and uncertain for governments, businesses and families. However, monitoring economic, financial and budgetary trends on a regular basis will reduce the uncertainty and provide enhanced information for decision-making as we progress through the stages of the crisis. This is the second in a series of reports that will:

- evaluate the risks to the County’s revenues and overall finances;
- provide analysis of revenue trends;
- update revenues collected; and
- provide revenue projections.

In March 2020, York County formed a team comprised of the offices of County Administration, Commissioner of the Revenue, Treasurer and Finance, to increase tracking and analysis of the revenues and cashflows. This team is also monitoring the unprecedented emergency actions of the Federal Government which creates a higher level of uncertainty relative to our local revenues. The information from the revenue forecasts is being used to adapt expenditure plans, consider potential use of reserves, assess risks to cashflows and evaluate debt issuance plans.

Summary of Changes since Last Month’s Report:

On May 12, 2020, as this month’s report was being finalized, the State’s Secretary of Finance, Aubrey L. Layne, Jr. provided the localities with allocation amounts for the Federal CARES Coronavirus Relief Funds (CRF). York’s share of the \$3.1 billion allocation to the State is \$5,957,167. Based on the State’s memorandum, at this point, federal guidance indicates that the CRF funds can only be used for direct costs associated with the responses to the COVID-19 pandemic and cannot be used to make up for revenue shortfalls. State and local government officials have requested that this restriction be lifted or that additional federal funds be provided to address the loss of state and local revenue. To date, no action has been taken by Congress to allow that flexibility or to provide funding for that purpose. Future monthly reports will include CRF revenue information.

This month’s projection fine tunes the initial shortfall estimates from last month reducing the projected shortfalls by \$800,000 to \$3,400,000 for FY2020 and \$750,000 to \$6,350,000 for FY2021. April is an important month for revenue forecasting, bringing a clear focus to real estate and personal property tax amounts as the land book was completed and personal property values were finalized during the month. The Commissioner of the Revenue’s Office completed the land

book for real estate which includes updated land use and tax relief credits. They also performed the annual process to determine the 2020 personal property values. Completion of this work provided the final real estate and personal property tax amounts for the June bills reflecting updated new construction and vehicle purchases.

Additionally, in April, the Board of Supervisors authorized reducing the interest rate to 2% from 10% and reducing the penalty to 2% through September 30, 2020. The intent of these actions is to provide cash flow relief to the residents and businesses who may be economically impacted by the Coronavirus. From a revenue perspective, these actions are expected to result in a lower level of tax collections in FY2020 as tax revenues are deferred and recognized in the subsequent year. The primary unknown factor during the Coronavirus timeframe, as it relates to these taxes, is how much the collection rate may decrease for the June collections due to taxpayers delaying their tax payments. Collection rate reductions of 2% and 5% are factored into this projection for real estate and personal property, respectively.

After years of anticipating the impacts of the Dominion Energy power plant closure, in late April the state provided the updated CY2020 assessed values which includes the reduction in value related to the closure. The FY2020 budget assumed an \$800,000 reduction, but the actual reduction is approximately \$500,000 resulting in a projected surplus of \$300,000 for Public Service Corporation revenues in FY2020 and an estimated \$450,000 surplus in FY2021. Over the past few years while we prepared for the higher revenue reductions based on the then current values of the power plant assets and with its delayed closure, the physical structures were depreciating. These delays resulted in a positive impact in FY2020 and FY2021 as the depreciation reductions were realized over the earlier years so that by the time we received the official closure impact this month, the assets' values were simply lower resulting in the surpluses.

While it is too soon to know the Coronavirus impacts on sales taxes because the March revenues, which pass through the state, will not be received until mid-May, the first indications of revenue reductions for meals and lodging have been received for March collections. As was anticipated last month, lodging and meals taxes dropped significantly as people became aware of the dangers of the Coronavirus and the "stay at home" orders went into effect in March. Lodging taxes fell sharply by 64% as less visitors stayed in hotels. Meal taxes dropped by 26% as many restaurants were open initially with limited seating and later closed for seating, but remained open for pickup orders.

Evaluation of Revenue Risks:

The first objective of the report series is to evaluate the risk level of the County's individual revenue sources and establish the new estimates for both FY2020 and FY2021. These initial revenue projections were used to determine the revenue adjustments for the FY2021 Budget that was presented at the April 21 Board of Supervisors' meeting. Another objective of the report series will be to gain clarity on the trends and remove uncertainty in the revenue forecasts so that

over time the ● Moderate and ● High indicators become ● Low as the crisis evolves and recovery begins.

	Level of Risk & Uncertainty
●	Low
●	Moderate
●	High

Table 1: FY2020 Revenue Risk Analysis and Projection:				
Risk Level	Revenue Category	FY2020 Budget	Anticipated Change	Factors
●	Real Estate	\$73,196,808	\$(1,300,000)	<ul style="list-style-type: none"> ● Low risk due to stable assessed values (beginning of two year reassessment cycle). ● High confidence in overall revenue stability because real estate represents 49% of the total revenues. ● Lower collection rate of 2%.
●	Public Service Corp.	2,700,000	300,000	<ul style="list-style-type: none"> ● No impact expected from the Coronavirus. \$300,000 favorable variance projected due to the partial power plant closure. The final unit is expected to close in CY2023.
●	Personal Property	15,700,000	100,000	<ul style="list-style-type: none"> ● Low risk due to stable property values established in Jan. 2020 used for June and Dec. billings. ● Collections through April 2020 were 4% over budget so even with the reduced values for the June billings, FY2020 should end the year close to budget. ● Watch – for a lower collection rate for the June bill as some residents may delay payments. The current assumption includes a 5% reduced collection rate.

Table 1: FY2020 Revenue Risk Analysis and Projection:

Risk Level	Revenue Category	FY2020 Budget	Anticipated Change	Factors
●	State - PPTRA	8,742,000	0	<ul style="list-style-type: none"> ● No impact expected.
●	State - Other	4,639,000	0	<ul style="list-style-type: none"> ● Anticipating reductions from the state once the governor and legislators have the opportunity to re-evaluate current year impacts and the FY2021 budget, but currently not expecting FY2020 reductions.
●	Sales Taxes	10,765,000	(200,000)	<ul style="list-style-type: none"> ● In FY2020 there will be an extra month of sales taxes due to an accounting change to accrue June revenues that are received in August into FY2020 and subsequent years. The current estimate for June is an additional \$500,000 which partially offsets the anticipated \$700,000 reduction in revenues. ● The reduction is a high level estimate as very little information is available. It assumes that grocery sales will be significantly higher in March and April than previous months due to families stocking up, but that other retail sales will drop significantly. ● Internet sales are expected to increase significantly. However, the state's allocation process is not specific to localities' sales, so the impact is unknown at this point. ● Watch – state has allowed merchants to apply for and delay tax submission for 30 days, the impact is unknown at this time. More will be known when the March sales are received in May.

Table 1: FY2020 Revenue Risk Analysis and Projection:				
Risk Level	Revenue Category	FY2020 Budget	Anticipated Change	Factors
●	Tourism Sales Taxes	4,200,000	(500,000)	<p>Same comments as Sales Taxes above</p> <ul style="list-style-type: none"> ● Because the Tourism Sales Taxes do not include groceries, the reduction to this tax will be higher than the 1 cent Sales Tax revenues.
●	BPOL	6,855,000	470,000	<ul style="list-style-type: none"> ● Revenues were due prior to the Coronavirus impact as taxes were due on March 1. Additional revenue was received from late collections in April. ● Because the economy was doing well at the point of tax collection, the revenues are \$470,000 more than budget
●	Motor Vehicle Licenses	1,650,000	80,000	<ul style="list-style-type: none"> ● The registration assessment is now known. Assuming all billed revenues are collected, the combined registration fees collected throughout the year plus the June 2020 bill would result in revenues exceeding budget by \$150,000. ● Watch for citizens delaying payments. Projection factors in a 5% lower collection rate or \$70,000.
●	Lodging	1,570,000	(400,000)	<ul style="list-style-type: none"> ● At this point, \$500,000 is still required to be collected to attain the current year's budget. With three months remaining, this projection assumes only \$100,000 will be collected in the remainder of the year as hotel visits dropped by 64% in March. ● This represents a 34% shortfall for the year.

Table 1: FY2020 Revenue Risk Analysis and Projection:

Risk Level	Revenue Category	FY2020 Budget	Anticipated Change	Factors
●	Meals Taxes	3,320,000	(500,000)	<ul style="list-style-type: none"> ● At this point there is \$900,000 left to be collected to attain the current year's budget. Due to continuing takeout and delivery services some of these revenues will be realized. ● At this point, restaurants are closed to dining, but takeout and delivery services have expanded. ● April's revenues of \$200,000 are \$350,000 below last April's revenues of \$550,000. ● Several destination restaurants have closed, with the expectation that most will reopen sometime in FY2021. ● We have started monitoring the number of restaurants that have not submitted their taxes. At this point the number not paying is very low.
●	Permits, Fees & Regulatory Licenses	950,000	(100,000)	<ul style="list-style-type: none"> ● Collection fees were running 2% over budget prior to the crisis. ● Construction continues to be strong while firms adhere to social distancing. ● Reduction assumes that construction will slow at the end of the fiscal year as less people are out looking for new homes, while economic uncertainty and cash flow concerns may slow down construction.

Table 1: FY2020 Revenue Risk Analysis and Projection:				
Risk Level	Revenue Category	FY2020 Budget	Anticipated Change	Factors
●	Charges for Services	2,235,000	(400,000)	<ul style="list-style-type: none"> ● \$550,000 remains to be collected which includes many parks and recreation programs anticipated to be cancelled or severely impacted this year. ● \$60,000 parks and recreation refunds were issued in April. ● This category includes ambulance billing. The impact is unknown at this time. The CARES Act includes local funding for ambulance transports so the County should receive funds in the future.
●	Other (Numerous Small Revenues)	9,899,192	(950,000)	<ul style="list-style-type: none"> ● General placeholder for reduced revenues. This will be fine-tuned as more information becomes available
	Totals	\$146,422,000	\$(3,400,000)	2% Projected Revenue Shortfall

Table 2: FY2021 Revenue Risk Analysis and Projection:

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	Real Estate	\$74,782,000	\$(1,000,000)	<ul style="list-style-type: none"> ● Low risk due to stable assessed values (beginning of two year reassessment cycle). ● High confidence in overall revenue stability because real estate represents 49% of the total revenues. ● Reduced new construction assumption. ● Reduced collection rate.

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	Public Service Corp.	2,120,000	\$450,000	<ul style="list-style-type: none"> No impact expected from the Coronavirus. \$450,000 favorable variance projected due to the partial power plant closure. The final unit is expected to close in CY2023.
●	Personal Property	16,339,000	(500,000)	<ul style="list-style-type: none"> Low risk due to stable property values established in Jan. 2020 used for June and Dec. billings. Assumes significant reduction in collection rate, combined with reduction in Jan. 2021 vehicle values due to increased depreciation of current vehicles and reduced new vehicle purchases.
●	State - PPTRA	8,742,000	0	<ul style="list-style-type: none"> No impact expected.
●	State - Other	4,894,462	(200,000)	<ul style="list-style-type: none"> State updated the revenue allocations resulting in a \$150,000 favorable impact, which doesn't reflect the economic impacts of the Coronavirus on the state's allocation to localities. Anticipating reductions from the state once the governor and legislators have the opportunity to re-evaluate the FY2021 budget as the economic impacts become better known. Assumes further reductions beyond removal of salary increases.

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	Sales Taxes	11,000,000	(1,100,000)	<ul style="list-style-type: none"> • The reduction is a high level estimate as very little information is available. It assumes economic uncertainty will reduce consumer spending as families and businesses save for uncertain times early in the fiscal year. • Watch for indications of a return to consumer confidence in upcoming months. • Internet sales are expected to increase significantly. However, the state's allocation process is not specific to localities' sales so the impact is unknown at this point. • Watch – State has allowed merchants to apply for and delay tax submission for 30 days. The impact is unknown at this time so the possibility exists that the relief may be extended.
●	Tourism Sales Taxes	4,400,000	(600,000)	<p>Same comments as sales taxes above</p> <ul style="list-style-type: none"> • Because the tourism sales taxes do not include groceries, the reduction to this tax will be higher than the 1 cent sales tax revenues.

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	BPOL	7,150,000	(1,200,000)	<ul style="list-style-type: none"> Business revenues are anticipated to be significantly lower as many businesses will have been closed down for several weeks and possibly months at the end of prior fiscal year. Watch for signs of recovery and adjust revenue aspects as information becomes available, hopefully in early FY2021. Watch – there have been proposals at a state level to return these taxes to small businesses. At this point, nothing has happened.
●	Motor Vehicle Licenses	1,636,000	(100,000)	<ul style="list-style-type: none"> Assumes lower vehicle registrations. Watch for lower new vehicle purchases and increased disposals as citizens encounter higher financial stress.
●	Lodging	1,728,000	(400,000)	<ul style="list-style-type: none"> Assumes a significant reduction in travel and tourism as families and businesses may continue to stay at home even after the health crisis passes. The timing for recovery is extremely uncertain at this time.

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	Meals Taxes	3,557,000	(900,000)	<ul style="list-style-type: none"> • This initial assessment assumes a significant reduction in meals taxes. At this point, restaurants are closed to dining, but takeout and delivery services have expanded. • Several destination restaurants have closed, with the expectation that most will reopen sometime in FY2021. • We have started monitoring the number of restaurants that have not submitted their taxes. At this point the number not paying is very low.
●	Permits, Fees & Regulatory Licenses	1,000,000	(300,000)	<ul style="list-style-type: none"> • Construction continues to be strong while firms adhere to social distancing. • Reduction assumes that construction will slow at the end of the fiscal year and continue to be slow at the beginning of the next year. • Reduction anticipates that home additions and improvements will be placed on hold due to social distancing and economic uncertainty. • Watch for signs of recovery in future months.
●	Charges for Services	2,559,000	(300,000)	<ul style="list-style-type: none"> • Assumes that summer parks and recreation programs will be severely impacted this year. • This category includes ambulance billing. Last month there was more uncertainty than this month. The number of Covid cases have been relatively low to date.

FY2021 Revenue Risk Analysis and Projection				
Risk Level	Revenue Category	FY2021 Proposed Budget	Anticipated Change	Factors
●	Other (Numerous Small Revenues)	10,881,738	(200,000)	● General placeholder for reduced revenues. This will be fine-tuned as more information becomes available
	Totals	\$150,789,200	\$(6,350,000)	4.2% Projected Revenue Shortfall

COUNTY OF YORK

MEMORANDUM

DATE: May 18, 2020

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator



SUBJECT: Riverwalk Landing (RWL) Restaurant Support

In response to a request from the owner of the RWL Restaurant and Water Street Grill, we have provided an amended lease opportunity that adds the green area in front of the fountain for outdoor seating. We also included the option for them to lease the area under the tent behind the Freight Shed. Both of these lease options have termination dates that will insure that there is no conflict with scheduled County events.

Leasing these additional areas will allow the restaurant to take greater advantage of the relaxed Virginia Executive Order allowing outdoor seated service. In both cases the restaurant management will have to comply with all state requirements and determine if this will be cost effective endeavor. The restaurant owner has not made a final decision regarding service at either location, and won't execute the lease addendum unless he decides to move forward. We have also contacted the other RWL restaurants and offered them a similar accommodation, regarding the use of adjacent outdoor areas.

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