



BOARD OF SUPERVISORS FINANCE AND AUDIT COMMITTEE

**FEBRUARY 2, 2021 @ 1:00 PM
ROOM 270
GOOCHLAND COUNTY ADMINISTRATION BUILDING
1800 SANDY HOOK RD., GOOCHLAND, VA 23063**

- I. CALL TO ORDER
- II. ELECTION OF OFFICERS
- III. APPROVAL OF MINUTES FROM NOVEMBER 24, 2020 (page 2)
- IV. FY2021 2ND QUARTER RESULTS (page 3)
- V. DISCUSS THE REVENUE STABILIZATION (page 6) AND REVENUE RESERVE FUND CALCULATIONS (page 17)
- VI. OTHER BUSINESS
- VII. PUBLIC COMMENT
- VIII. ADJOURNMENT TO MAY 4, 2021

**Goochland County
Finance and Audit Committee Meeting
November 24, 2020 @ 1:00 PM
Administration Building
1800 Sandy Hook Road, Goochland VA 23063
Board Conference Room**

The Goochland County Finance and Audit Committee (FAAC) meeting was held on November 24, 2020 at 1:00 PM in the Board Conference Room. Present were:

District 5 Supervisor Ken Peterson, Chairman
District 4 Supervisor Don Sharpe, Vice Chairman
District 2 Supervisor Neil Spoonhower
County Administrator Kenneth A. Young
Director of Financial Services Barbara Horlacher
Mike Garber, PBMAres

Voting members were Mr. Peterson, Mr. Sharpe, Mr. Spoonhower, Mr. Young, and Mrs. Horlacher.

- I. Mr. Peterson called the meeting to order at 1:00 PM.
- II. Mr. Peterson called for approval of the minutes from August 4, 2020. A motion was made to approve the minutes, the motion was seconded, and the motion passed on a unanimous vote.
- III. Mr. Peterson introduced Mike Garber with PBMAres, LLP . Mr. Garber presented the results of the Fiscal Year 2020 Comprehensive Annual Financial Report.
 - Goochland County received an unmodified opinion on the financial statements, compliance and internal controls.
 - The single audit has not been completed due to the CARES Act funding and pending guidance on audit procedures.
- IV. Barbara Horlacher presented the FY2021 1st quarter results. Overall good results to project this far in the year. Revenues are over budget and expenditures are under budget. Debt service is 3% with policy at 10%, unassigned fund balance is 3% favorable to policy, and revenue stabilization is fully funded and currently \$2 million.
- V. Revenue stabilization and reserve fund tabled until February 2, 2021.
- VI. Other Business: None
- VII. Public Comment: None
- VIII. Mr. Peterson adjourned the meeting to February 2, 2021.



Board of Supervisors

1800 Sandy Hook Road
Goochland, VA 23063

Meeting: 02/02/21 02:00 PM

Department: Finance

Category: Other

Prepared By: Barbara Horlacher

Department Head: Barbara Horlacher

**SCHEDULED
ACTION ITEM**

(ID # 3879)

**FY2021 SECOND QUARTER GENERAL FUND PROJECTION AND
BUDGET AMENDMENTS**

✓ Vote Record - Action Item 3879							
<input type="checkbox"/> Adopted <input type="checkbox"/> Adopted as Amended <input type="checkbox"/> Defeated <input type="checkbox"/> Tabled <input type="checkbox"/> Withdrawn <input type="checkbox"/> Recommended for Approval <input type="checkbox"/> Recommended for Denial <input type="checkbox"/> Recommended for Approval as Amended <input type="checkbox"/> Deferred <input type="checkbox"/> Consensus of the Board <input type="checkbox"/> Approved <input type="checkbox"/> Tabled by Consensus <input type="checkbox"/> Approved as Amended <input type="checkbox"/> Recusal <input type="checkbox"/> Strike <input type="checkbox"/> No quorum <input type="checkbox"/> Public Hearing Held			Yes/Aye	No/Nay	Abstain	Absent	
	Susan Lascolette			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Ken Peterson			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	John Lumpkins			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Neil Spoonhower			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Don Sharpe			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Strat Goal 1	Efficient, effective, and transparent government; emphasis on customer service excellence	X
Strat Goal 2	Balanced development that contributes to the welfare of the community and preserves its rural character	
Strat Goal 3	Excellence in Financial Management	X
Strat Goal 4	High Quality Core Services including Education, Public Safety, and Community Health	
Strat Goal 5	Positive Work Environment with a Highly Qualified, Diverse Workforce	

Board Action Requested

After hearing a report on second quarter projections for the general fund, the Board is asked to consider several general fund and CIP budget transfers and amendments.

Summary of Information

The Board's Operating Budget Policies call for a quarterly update of general fund revenues and expenditures to be provided to the Board and the public. Attached is a projection/estimate of FY2021 general fund expenditures, with categorical subtotals, along with an estimate of revenues to be received during the fiscal year.

Second quarter projections for FY2021 are conservative. Some savings were projected, but most departments were projected to stay at or near budget until more results are available for the third quarter projections.

Revenues are estimated to exceed the budget by approximately \$5.1 million primarily due to higher than budgeted real estate tax, personal property tax, and sales tax revenue. Overall, revenues are projected to exceed operating expenditures by approximately \$7.2 million. Transfers out to other funds are estimated to be \$6.2 million. Third quarter results will be presented in May 2021.

Action Item

Meeting of February 2, 2021

Project	Amount	Totals	Source of Funds
General Fund Transfers			
Convenience Centers - contracted hauling	\$ 40,000		Reserve for contingencies
General Services - contracted services	36,000		Reserve for contingencies
Grounds Management - contracted services	20,000		Reserve for contingencies
Insurance - workers comp audit	30,000		Reserve for contingencies
County Administration - transcription software	50,000		Reserve for contingencies
Reserve for contingencies	(176,000)		
		-	
CIP amendments			
Gateway sign project completion	150,000		Assigned fund balance
Sports complex floor replacement	125,000		Assigned fund balance
Parking lot improvements	70,000		Assigned fund balance
Security cameras and improvements	100,000		Assigned fund balance
Roof maintenance - Business Center	50,000		Assigned fund balance
		495,000	
GRAND TOTAL		\$ 495,000	GRAND TOTAL

Draft Motion

I move that the Gochland County Board of Supervisors (approve and appropriate/ approve as amended and appropriate/ deny / defer to *date*) amendments and transfers to the Gochland County Fiscal Year 2021 budget in the total amount of [\$495,000/ *Other Amount*] for the identified projects and amounts.

Kenneth A Young

Kenneth A Young, County Administrator 1/28/2021

ATTACHMENTS:

- FY21 2ND QTR(PDF)

County of Goochland, Virginia
General Fund
FY21 Second Quarter Projections

Year Ended June 30, 2021

	Adopted Budget	Final Budget	Year-End Projected	Variance with Final Budget - Positive (Negative)
REVENUES				
Total revenues	\$ 57,158,477	\$ 57,984,292	\$ 63,151,818	\$ 5,167,526
EXPENDITURES				
Current:				
General government administration	5,847,218	5,911,907	5,711,907	200,000
Judicial administration	1,841,327	1,906,493	1,806,493	100,000
Public safety	13,236,430	13,577,068	13,077,068	500,000
General services	2,788,047	2,814,000	2,910,000	(96,000)
Health and welfare	4,114,316	4,330,426	4,030,426	300,000
Education	23,330,000	23,946,556	23,646,556	300,000
Parks and recreation	1,081,687	1,098,187	1,038,187	60,000
Community development	1,918,152	2,132,936	1,832,936	300,000
Debt service:				
Principal retirement	2,413,000	2,413,000	1,524,000	889,000
Interest and other fiscal charges	288,000	288,000	286,702	1,298
Total expenditures	56,858,177	58,418,573	55,864,275	2,554,298
Excess (deficiency) of revenues over (under) expenditures	300,300	(434,281)	7,287,543	7,721,824
OTHER FINANCING SOURCES (USES)				
Transfer to Capital Projects Fund	(2,319,818)	(5,380,116)	(5,380,116)	-
Transfer to Office of Children's Services Fund	(900,000)	(900,000)	(800,000)	(100,000)
Total transfers net	(3,219,818)	(6,280,116)	(6,180,116)	(100,000)
Net change in fund balance	(2,919,518)	(6,714,397)	1,107,427	7,621,824
Fund balance - beginning	-	\$ 37,939,923	\$ 37,939,923	-
Fund balance - ending	\$ (2,919,518)	\$ 31,225,526	\$ 39,047,350	\$ 7,621,824
Nonspendable			304,234	
Restricted			33,360	
Revenue Stabilization			2,007,000	
Assigned			17,663,890	
Unassigned			19,038,866	
Projected Fund balance - ending			<u>\$ 39,047,350</u>	
FINANCIAL POLICY COMPLIANCE				
Policy			10%	
Actual debt service expenditures to total GF expenditures			3.0%	
Unused capacity (favorable variance)			7.0%	
Target unassigned fund balance			25%	
Actual unassigned fund balance			28.0%	
Exceed target (favorable variance)			3.0%	
Revenue stabilization policy			3%	
Actual revenue stabilization			3%	

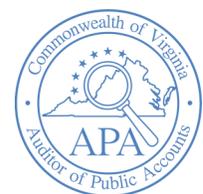
Attachment: FY21 2ND QTR (3879 : FY2021 Second Quarter Projection)



REVENUE STABILIZATION FUND CALCULATIONS

FOR THE YEAR ENDED
JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 28, 2020

Dear General Assembly Member:

REVENUE STABILIZATION FUND

This Office is providing a report of the required calculations for the Revenue Stabilization Fund. Appendix A provides historical information concerning the establishment of the Fund and the requirements surrounding it.

CALCULATION OF MAXIMUM FUND ALLOWED (Dollars in Thousands)

<u>Years</u>	<u>Tax Revenues</u>
2018	\$18,794,912
2019	19,718,337
2020	20,476,114
Average for three years	19,663,121
Maximum fund allowed (15% of average)	\$ 2,949,468

CALCULATION OF CONSTITUTIONAL DEPOSIT

As of June 30, 2020, certified tax revenues increased by 3.84 percent between fiscal years 2019 and 2020, and the average revenue growth for the preceding six years was 4.08 percent. Under the provisions of the Revenue Stabilization Fund, the difference between last year's revenue growth and the average growth is **negative** 0.24 percent. Since the difference between last year's revenue increase and the average growth is negative, there is no requirement to make a deposit to the fund based on fiscal year 2020 tax collections. Exhibit 1 provides certified tax revenue amounts used in the calculation. The Comptroller's General Fund Preliminary Annual Report includes a general fund balance restriction of \$77,409,780 for the 2021 mandatory deposit based on fiscal year 2019 tax collections.

Fiscal Year 2020 Activity

In June 2020, in accordance with Item 265 B. of Chapter 1283 of the 2020 Acts of Assembly, a deposit of \$262,941,731 was made to the Revenue Stabilization Fund. The required deposit was based on actual collections during fiscal year 2018. There were no withdrawals from the Fund during the year. Exhibit 2 provides the funding progress of the Fund through June 30, 2020.

CALCULATION OF STATUTORY DEPOSIT

Section 2.2-1829 of the Code of Virginia, as discussed in Appendix A, requires the Governor to include an additional deposit to the Revenue Stabilization Fund in his budget recommendations, if certain conditions occur. As shown in Exhibit 3, the growth of certified tax revenues does not meet all of the required conditions. Therefore, the Governor does not need to include an additional deposit in his budget recommendations.

PROJECTED ACTIVITY AND BALANCES

To provide information to the General Assembly on the impact of future revenue changes, we have performed pro forma calculations on the projected deposit to the Fund using three different revenue forecasts for fiscal year 2021 as shown in Exhibit 4. The pro forma calculations are based on the following: the official revenue forecast as reflected in Chapter 1289 of the 2020 Acts of Assembly and the June 2020 standard and alternative pessimistic forecasts as included in the Interim Economic Outlook and Revenue Forecast through Fiscal Year 2022 report. Based on the forecasted revenues under each model for fiscal year 2021, there is a projected mandatory deposit for fiscal year 2023 when applying the official revenue forecast; however, there is no projected mandatory deposit based on the standard and alternative pessimistic forecasted revenues. Further, under certain circumstances, there are statutory requirements for additional deposits; however, none of these conditions occur using any of the forecasted revenues for fiscal year 2021.

Article X, Section 8 of the Virginia Constitution, as discussed in Appendix A, establishes the requirements for making a withdrawal from the Revenue Stabilization Fund. Pursuant to Item 274 of Chapter 1289 of the 2020 Acts of Assembly, there is no planned withdrawal from the Fund for the fiscal year ending June 30, 2021.

HISTORICAL INFORMATION

Exhibits 5 and 6 provide historical information on the Revenue Stabilization Fund including a graphical illustration of fund balance by fiscal year and a schedule of deposits and withdrawals.

Should you have any questions concerning this information, please contact me.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

Enclosures
LDJ: clj

Exhibit 1

CALCULATIONS USED FOR THE REVENUE STABILIZATION FUND (Dollars in Thousands)

Years	Individual and Fiduciary Income Taxes	Corporate Income Tax	State Sales and Use Taxes	Totals	Percentage Change	Six Year Average
2014	11,253,412	757,491	3,399,223	15,410,126	(0.94%)	1.95%
2015	12,328,708	831,907	3,587,849	16,748,464	8.68%	1.45%
2016	12,555,813	764,948	3,651,400	16,972,161	1.34%	4.05%
2017	13,052,983	826,961	3,720,552	17,600,496	3.70%	4.38%
2018	14,105,937	861,897	3,827,078	18,794,912	6.79%	3.99%
2019	14,801,986	943,391	3,972,960	19,718,337	4.91%	4.13%
2020	15,351,603	1,011,650	4,112,861	20,476,114	3.84%	4.08%

Exhibit 2

SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)

	<u>Amounts</u>
Balance as of June 30, 2019	\$289,301
June 2020 mandatory deposit	262,942
Interest earned during fiscal year 2020	<u>6,189</u>
Balance as of June 30, 2020	<u>558,432</u>
Percentage of maximum fund allowed	18.9%
Required future mandatory deposits*	
Fiscal year 2021	<u>77,410</u>
Total in fund including required deposits	<u>\$635,842</u>

*A fiscal year 2021 deposit is required based on fiscal year 2019 calculations.

Exhibit 3

CALCULATIONS FOR STATUTORY DEPOSIT

(As required by Section 2.2-1829 of the Code of Virginia)

Growth of certified tax revenues collected in most recently ended fiscal year	3.84%
Average revenue growth for the preceding six years multiplied by 1.5	6.12%
Increase of estimated general fund revenues for the fiscal year in which the deposit is to be made over general fund revenues for the immediately preceding fiscal year*	4.37%

*Calculated based on the general fund revenue estimate in Chapter 1289 of the 2020 Acts of Assembly.

See the Statutory Deposit Section in Appendix A for conditions triggering a deposit.

Exhibit 4

PROJECTED DEPOSITS AND BALANCES

Calculations

We performed our calculations using the official revenue forecast as included in Chapter 1289 of the 2020 Acts of Assembly and the standard and pessimistic revenue forecasts as included the Interim Economic Outlook and Revenue Forecast through Fiscal Year 2022 report as of August 3, 2020. See Appendix A for conditions triggering a mandatory or statutory deposit.

Projected Mandatory Deposit: Fiscal Year 2021 (Dollars in Thousands)

	Official Forecast	Interim Standard Forecast	Interim Pessimistic Forecast
Corporate Income Tax	\$ 1,019,200	\$ 1,041,700	\$ 1,019,900
Individual and Fiduciary	16,159,100	15,448,200	14,481,900
State Sales and Use Taxes	<u>4,319,900</u>	<u>3,712,200</u>	<u>3,689,600</u>
 Total Projected Certified Tax	 <u>\$21,498,200</u>	 <u>\$20,202,100</u>	 <u>\$19,191,400</u>
 Annual Percentage Change	 4.99%	 (1.34%)	 (6.27%)
Preceding Six Year Annual	<u>4.88%</u>	<u>4.88%</u>	<u>4.88%</u>
Difference	<u>0.11%</u>	<u>(6.22%)</u>	<u>(11.15%)</u>
 Required Mandatory Deposit	 Deposit	 No Deposit	 No Deposit

Projected Statutory Deposit: Fiscal Year 2020

	Official Forecast	Interim Standard Forecast	Interim Pessimistic Forecast
Growth of certified tax revenues collected in most recently	4.99%	(1.34%)	(6.27%)
Average revenue growth for the preceding six years multiplied	7.32%	7.32%	7.32%
Increase of estimated general fund revenues for the fiscal year in which the deposit is to be made over general fund revenues for the immediately preceding fiscal year	3.75%	6.02%	10.09%
 Required Statutory Deposit	 No	 No	 No

Exhibit 5

REVENUE STABILIZATION FUND BALANCE
FISCAL YEARS 2006 – 2020
(Dollars in Thousands)

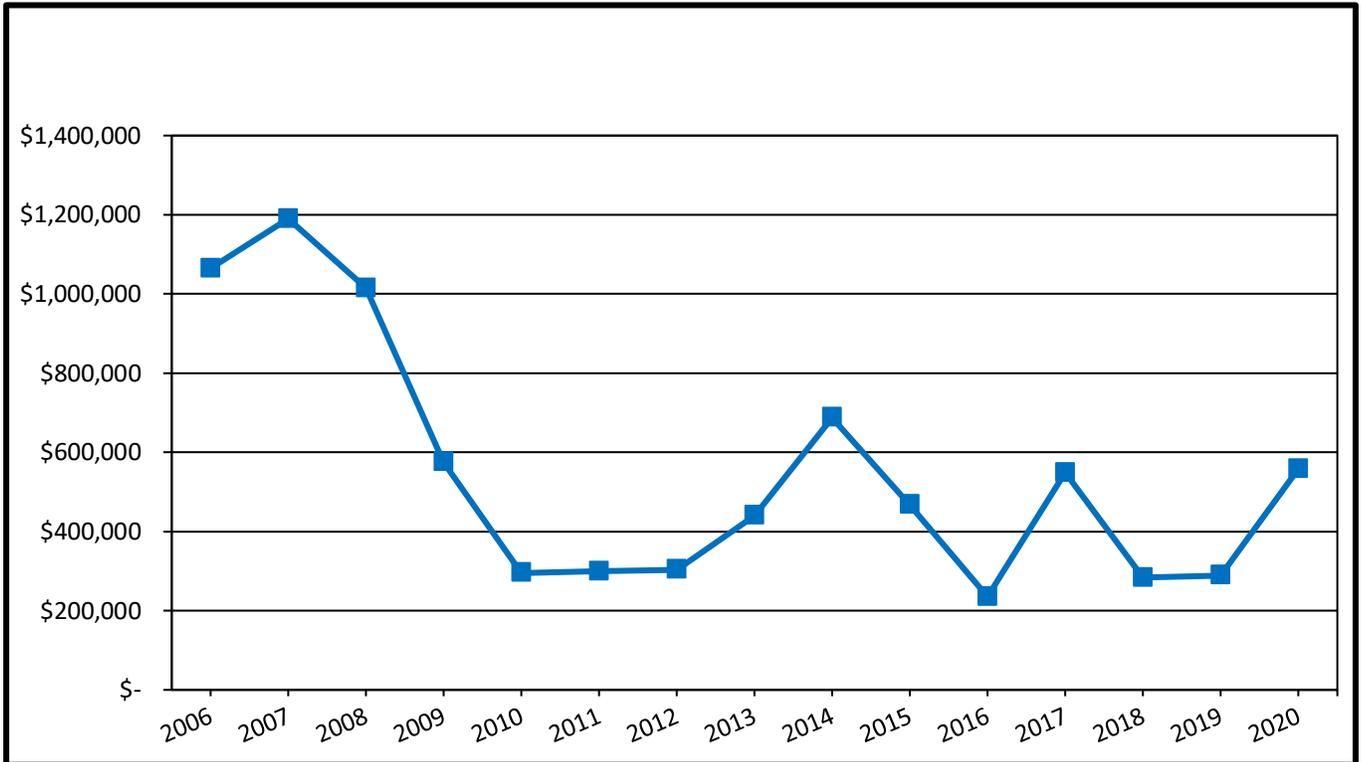


Exhibit 6

SCHEDULE OF DEPOSITS AND WITHDRAWALS (Dollars in Thousands)

<u>Date of Deposit</u>	<u>Amount</u>	<u>Date of Withdrawal</u>	<u>Amount</u>
June 1995	\$ 79,897	April 2002	\$467,731
June 1997	66,625	June 2003	247,481
June 1998	58,314	June 2008	351,500
June 1999	123,834	June 2009	490,000
June 2000	194,136	June 2010	295,096
June 2001	103,346	June 2015	467,717
April 2002	187,091	June 2016	235,485
June 2004	87,000	June 2017	294,653
June 2005	134,468	June 2018	272,542
June 2006	181,936		
June 2006	402,224		
June 2007	106,690		
June 2008	114,845		
June 2009	21,321		
June 2013	132,689		
June 2014	244,645		
June 2015	243,170		
June 2017	605,572		
June 2020	262,942		

APPENDIX A HISTORICAL INFORMATION

Mandatory Deposit

Article X, Section 8 of the Virginia Constitution and the enabling legislation established the Revenue Stabilization Fund, and requires this Office to report to the General Assembly the following:

1. certified tax revenues for the calculation of the Revenue Stabilization Fund;
2. the maximum size allowed of the Revenue Stabilization Fund; and
3. the amount of the mandatory deposit to the fund.

The amount in the Revenue Stabilization Fund is not to exceed fifteen percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by our Office for the three fiscal years immediately preceding. The General Assembly is required to make deposits to the Revenue Stabilization Fund to equal at least 50 percent of the total of: certified tax revenues for the most recently ended fiscal year, multiplied by the difference between the annual percentage increase in certified tax revenues collected for the most recently ended fiscal year, and the average annual percentage increase in certified tax revenues collected for the six fiscal years immediately preceding the most recently ended fiscal year.

During fiscal year 2019, § 3-5.21 of Chapter 854, 2019 Acts of Assembly, required certified tax revenues to exclude any amounts transferred from the general fund to the Taxpayer Relief Fund used to provide refunds pursuant to the fourth enactment of Chapters 17 and 18, 2019 Acts of Assembly. This reduction was only applicable to fiscal year 2019 certified tax revenue. Item 265 A. of Chapter 1283 of the 2020 Acts of Assembly requires this Office to report to the General Assembly on or before November 1 of each year.

Statutory Deposit

Legislation passed during the 2003 General Assembly Session added a requirement for an additional deposit to the Revenue Stabilization Fund under certain conditions. The provisions of this change were effective July 1, 2003. The conditions are as follows:

1. a growth of the certified tax revenues collected in the most recently ended fiscal year of eight percent or greater than the certified tax revenues collected for the immediately preceding fiscal year;
2. a growth of the certified tax revenues for the most recently ended fiscal year greater than 1.5 times the average percentage increase in the certified tax revenues collected in the six fiscal years immediately preceding the most recently ended fiscal year; and

3. the estimate of general fund revenues prepared in accordance with Section 2.2-1503 of the Code of Virginia for the fiscal year in which the deposit is to be made is at least five percent greater than the actual general fund revenues for the immediately preceding fiscal year.

If these conditions exist, the Governor must include in his budget recommendations, submitted to the General Assembly in the subsequent session, an amount equal to at least 25 percent of the product of the certified tax revenues collected in the most recently ended fiscal year, multiplied by the difference between the annual percentage increase in the certified tax revenues collected for the most recently ended fiscal year and the average annual increase in the certified tax revenues collected in the six fiscal years immediately preceding the most recently ended fiscal year.

Withdrawals

Per Article X, Section 8 of the Virginia Constitution, the General Assembly may appropriate an amount for transfer from the Fund to compensate for no more than one-half of the difference between the total general fund revenues appropriated and a revised general fund revenue forecast presented to the General Assembly prior to or during a subsequent regular or special legislative session. However, per Article X, Section 8 no transfer shall be made unless the general fund revenues appropriated exceed such revised general fund revenue forecast by more than two percent of certified tax revenues collected in the most recently ended fiscal year. Furthermore, no appropriation or transfer from such fund in any fiscal year shall exceed more than one-half of the balance of the Revenue Stabilization Fund.

Item 267 D.1 – D.4 of Chapter 836 of the 2017 Acts of Assembly contained additional guidelines for determining the amounts to use in the withdrawal calculation. The guidelines are as follows:

1. For purposes of determining a transfer from the Revenue Stabilization Fund to the general fund as a result of a downward revision in general fund revenues, the term “total general fund revenues appropriated” shall mean the general fund operating and capital appropriations for each year of the biennium contained in the Appropriation Act which is in effect at the time when such downward revision in general fund revenues is made.
2. In accordance with Article 10, § 8, Virginia Constitution, and § 2.2-1830, Code of Virginia, the amount of the transfer shall not exceed the lesser of one-half of the balance of the Revenue Stabilization Fund or one-half of the forecasted shortfall in revenues.
3. The anticipated shortfalls in general fund revenues for fiscal years ending June 30, 2017, and June 30, 2018, shall be computed by comparing the revised forecast for “Total General Fund Resources Available for Appropriation” as shown in § 3 of the first enactment to the total general fund revenues appropriated for each

year of the biennium as contained in the general appropriation act as it became effective on July 1, 2016 (Chapter 780 of the Acts of Assembly of 2016).

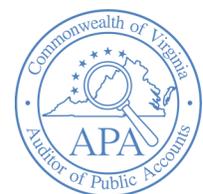
4. For purposes of computing the shortfall in revenues, the revised forecast referenced in paragraph 3 above shall consist of the revised forecast of revenues and transfers presented to the Governor's Advisory Council on Revenue Estimates on November 28, 2016, adjusted for any technical revisions pursuant to current law. Any subsequent policy-based adjustments to revenues or transfers that are dependent upon the passage of legislation or other budgetary action that requires approval by the 2017 General Assembly shall not be considered as part of the adjustments to the forecast for purposes of calculating the revenue shortfall in fiscal year 2017 or fiscal year 2018.



REVENUE RESERVE FUND CALCULATIONS

FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 28, 2020

Dear General Assembly Member:

REVENUE RESERVE FUND

This Office is providing a report of the required calculations for the Revenue Reserve Fund pursuant to § 2.2-1831.3 of the Code of Virginia. Appendix A provides historical information concerning the establishment of the Fund and the requirements surrounding it.

CALCULATION OF MAXIMUM FUND ALLOWED (Dollars in Thousands)

<u>Years</u>	<u>Tax Revenues</u>
2018	\$18,794,912
2019	19,718,337
2020	20,476,114
Average for three years	19,663,121
Maximum combined funds allowed (15% of average)	2,949,468
June 2020 balance of Revenue Stabilization Fund	<u>558,432</u>
Maximum Revenue Reserve Fund allowed	2,391,036
June 2020 balance of Revenue Reserve Fund	<u>513,245</u>
Maximum fund allowed less current Revenue Reserve Fund balance	<u>\$ 1,877,791</u>

The Revenue Reserve Fund in combination with the Revenue Stabilization Fund may not exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the previous three fiscal years. As shown above, the balance of the Revenue Reserve Fund as of June 30, 2020, does not exceed the maximum fund allowed.

CALCULATION OF DEPOSIT

A deposit to the Revenue Reserve Fund is required in years in which general fund revenues do not result in a mandatory deposit to the Revenue Stabilization Fund and general fund revenue exceeds the official revenue forecast of the prior fiscal year. Certified tax revenues for fiscal year 2020 resulted in a negative difference between last year's revenue growth and the average growth; therefore, a mandatory deposit to the Revenue Stabilization Fund is not required in fiscal year 2022. Further, there is no required deposit to the Revenue Reserve Fund, as actual general fund revenue was less than the official revenue forecast as included in Chapter 1283 of the 2020 Acts of Assembly.

CALCULATION OF REVENUE RESERVE FUND DEPOSIT (Dollars in Thousands)

Actual General Fund Revenue as of June 30, 2020*	\$21,737,777
Fiscal Year 2020 Official General Fund Revenue Estimate	<u>21,972,000</u>
Difference between actual General Fund Revenues and Official General Fund Revenue Estimate	<u>\$ (234,223)</u>

No deposit required to the Revenue Reserve Fund

*Actual General Fund Revenue obtained from the Commonwealth of Virginia Summary Report on General Fund Revenue Collections for the Fiscal Years 2019 and 2020.

Fiscal Year 2020 Activity

In accordance with Item 266 of Chapter 1283 of the 2020 Acts of Assembly, there was no deposit to the Revenue Reserve Fund during fiscal year 2020. There have been no withdrawals from the fund since its establishment in fiscal year 2018. Exhibit 1 provides the funding progress of the Fund through June 30, 2020.

Should you have any questions concerning this information, please contact me.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

Enclosures

LDJ: clj

Exhibit 1

SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)

	<u>Amounts</u>
Chapter 1, 2018 Acts of Assembly deposit	\$156,395
Interest earned during fiscal year 2018	<u>44</u>
Balance as of June 30, 2018	<u>156,439</u>
Chapter 854, 2019 Acts of Assembly deposit	342,728
Interest earned during fiscal year 2019	<u>3,423</u>
Balance as of June 30, 2019	<u>502,590</u>
Interest earned during fiscal year 2020	<u>10,655</u>
Balance as of June 30, 2020*	<u>\$513,245</u>
Current balance as a percentage of maximum fund allowed	21.5%

Future deposits

*Currently there are no planned deposits to the fund for fiscal year 2021
per Chapter 1289 of the 2020 Acts of Assembly*

*The planned voluntary deposit for fiscal year 2020 per Chapter 854 of the 2019 Acts of Assembly did not occur pursuant to changes reflected in Chapter 1283 of the 2020 Acts of Assembly.

Exhibit 2

PROJECTED REVENUE RESERVE FUND BALANCE COMPARED TO MAXIMUM FUND ALLOWED (Dollars in Thousands)

We performed fiscal year 2021 projected calculations using the maximum combined funds allowed as of June 30, 2020. There will be a new maximum combined funds allowed calculation in future years based on future certified tax revenues.

Maximum combined funds allowed as of June 30, 2020	\$ 2,949,468
Less: Projected balance of Revenue Stabilization Fund*	<u>635,842</u>
Projected maximum Revenue Reserve Fund allowed	2,313,626
Less: Projected balance of Revenue Reserve Fund**	<u>513,245</u>
Projected difference between Revenue Reserve Fund balance and maximum Revenue Reserve Fund allowed	<u>\$1,800,381</u>
Projected percentage of maximum Revenue Reserve Fund allowed	22%

*The projected Revenue Stabilization Fund Balance as included within the [2020 Revenue Stabilization Fund Certification Letter](#), Exhibit 2. The projected balance does not include projected interest earnings.

**The projected balance of the Revenue Reserve Fund does not include projected interest earnings.

APPENDIX A

ESTABLISHMENT AND REQUIREMENTS OF THE FUND

Code of Virginia § 2.2-1831.2 establishes the special non-reverting fund known as the Revenue Reserve Fund. All funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund will remain in the Fund. At the end of each fiscal year the Fund does not revert to the general fund. The Governor and General Assembly can use the fund to offset certain anticipated shortfalls in revenues when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts.

The General Assembly established the fund during the 2018 session and, subsequently, appropriated amounts for deposit into the fund in fiscal years 2018 and 2019. Pursuant to Code of Virginia § 2.2-1831.3, on November 1 of each year, the Auditor of Public Accounts is required to report on the amount that can be paid into the Fund and the amount by which the amount in the fund is less than the maximum amount permitted.

Deposits to the Fund

Pursuant to Code of Virginia § 2.2-1831.3, in fiscal years in which general fund revenues do not result in a mandatory deposit to the Revenue Stabilization Fund as required by Article X, Section 8 of the Constitution of Virginia, the Comptroller, at the end of the fiscal year, will commit within his annual report, the amount of general fund revenue in excess of the official forecast for that prior fiscal year, less any deposit to the Virginia Water Quality Improvement Fund, for deposit into the Revenue Reserve Fund. The amount committed for deposit into the Revenue Reserve Fund shall not exceed one percent of the total general fund revenues for the prior fiscal year. Subsequently, the Governor will recommend appropriations from the general fund or amend current general fund appropriations to include an amount for deposit into the Revenue Reserve Fund at least equal to the amounts committed by the Comptroller and confirmed by the Auditor of Public Accounts.

Maximum Fund Allowed

Code of Virginia § 2.2-1831.3 requires the combined amount in the Revenue Reserve Fund and the Revenue Stabilization Fund to not exceed fifteen percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the previous three fiscal years.

Withdrawals from the Fund

Code of Virginia § 2.2-1831.4 describes the circumstances under which withdrawals from the Fund may occur. In the event that a revised general fund forecast presented to the General Assembly reflects a decline when compared with total general fund revenues appropriated, and the decrease is two percent or less of general fund resources collected in the most recently ended fiscal year, the General Assembly may appropriate an amount for transfer from the Fund, not to exceed 50 percent of the amount in the Fund, to the general fund to stabilize the revenues of the Commonwealth. Additionally, when the General Assembly is not in session, after review of the May general fund revenue collections, the Governor may withdraw amounts appropriated to the Fund when actions to curtail spending is insufficient to avoid a cash deficit.