

Attachment A

Introduction

Prior to the completion of the County’s annual audit, staff provides the Board of Supervisors with a preliminary unaudited year-end report. It is ordinary for there to be some adjustments between the two reports due to continued year-end reconciliations, quality control, or audit adjustments taking place between now and the completion of the audit. The County must submit its audit to the Auditor of Public Accounts by December 15th each year.

Following a discussion of the General Fund’s fund balance, a summary of notable changes in revenues and expenditures is included in this attachment.

Projected Change in Fund Balance

The General Fund maintains an unassigned fund balance, which is the accumulation of prior actual revenues minus actual expenditures. The General Fund’s fund balance is a “rainy day” reserve for unforeseen emergencies and a critical component of bond rating process. It is not an ongoing funding source and is not to be used to fund ongoing expenditures. Policies around the General Fund’s fund balance are included in the County’s Financial Management Policies.

At the end of FY 23, the General Fund’s unassigned fund balance was \$91.3 million. Based on the result of the preliminary actual revenues less anticipated preliminary expenditures during FY 24, as shown in the table on page 3, the General Fund’s fund balance is projected to increase \$12.3 million to \$103.6 million. This increase reflects the planned use of a portion of this balance above the County’s fund balance policy requirements; along with other appropriated and obligated uses.

Of the projected \$103.6 million in unassigned fund balance at the end of FY 24:

- \$50.4 million is required to meet the County’s policy requirements for unassigned fund balance.

Policy	Amount
Unassigned Fund Balance <i>(10% of Operating Revenues, which is General Fund+School Fund - General Fund Transfer to School Fund)</i>	50,475,466

- \$10.1 million is required to meet the County’s adopted 2% Budget Stabilization Reserve policy as adopted in the County’s Financial Management Policies.
- \$9.1 million is estimated to be required to meet the General Fund-School Reserve Fund policy as adopted in the County’s Financial Management Policies.
- \$21.9 million is appropriated or obligated, primarily due to funding a) already appropriated in FY 25, b) under review to re-appropriate uncompleted projects or purchase orders from FY 24 to FY 25, and c) reserved at this time to meet anticipated fund balance policy requirements in FY 25 should General Fund revenues increase.
- \$3.0 million is recommended to be held for consideration as part of the FY 26 budget development process and after the audit is complete. In prior budgets, it has been typical for approximately \$3.0 million of one-time funding to be planned for one-time expenses in the upcoming budget.

General Fund Revenue and Expenditure Preliminary Actuals

Please note that this analysis is looking backwards at financial performance, not at projections for what could be ahead in FY 25 and FY 26. Many of the County’s major revenues collections lag from current activity. For example, real estate reassessments, which are one factor in real estate tax revenues, were

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as of January 1, 2023 and January 1, 2024 during FY 24 and do not yet reflect more recent market impacts. Additionally, Business, Professional, and Occupational License (BPOL) revenues are largely based on Calendar Year 2023 gross receipts and do not yet reflect more recent economic impacts. Staff will share revenue and economic information with the Board of Supervisors that is forward looking in October and continuing with the Five-Year Financial Plan work sessions in November and December.

Albemarle County Preliminary Year End Financial Report - General Fund

	FY24 Adopted Budget	FY24 Revised Budget	FY24 Preliminary Actual	\$ Variance (Proj-Rev)	% Variance (Proj/Rev)
GENERAL FUND REVENUE					
Current Real Estate and Personal Property Tax	261,216,608	261,429,027	271,460,407	10,031,380	103.8%
Business-Driven Taxes	19,802,447	19,802,447	20,989,296	1,186,849	106.0%
Consumer-Driven Taxes	53,846,785	54,910,729	55,652,388	741,659	101.4%
Other Local Taxes	13,128,320	13,128,320	15,560,386	2,432,066	118.5%
Other Local Revenue	14,300,435	18,139,285	18,969,129	829,844	104.6%
Subtotal, Local	362,294,595	367,409,808	382,631,606	15,221,798	104.1%
State	29,508,544	29,735,377	27,744,963	(1,990,414)	93.3%
Federal	8,811,771	8,811,771	8,948,907	137,136	101.6%
Transfers	6,201,634	9,279,393	9,269,491	(9,903)	99.9%
TOTAL, GENERAL FUND REVENUE	406,816,544	415,236,349	428,594,967	13,358,618	103.2%
GENERAL FUND EXPENDITURE					
Administration	26,609,354	32,080,710	27,405,416	(4,675,294)	85.4%
Judicial	7,683,378	8,345,038	7,957,134	(387,903)	95.4%
Public Safety	61,063,933	66,997,923	63,959,158	(3,038,765)	95.5%
Public Works	11,211,104	11,589,755	10,761,925	(827,831)	92.9%
Health & Welfare	27,312,230	28,847,521	27,394,683	(1,452,838)	95.0%
Parks, Recreation & Culture	11,256,182	11,465,544	11,053,600	(411,944)	96.4%
Community Development	14,392,115	15,673,625	14,774,680	(898,945)	94.3%
Subtotal, Departmental Operations	159,528,296	175,000,116	163,306,596	(11,693,520)	93.3%
City/County Revenue Sharing	15,715,740	15,715,740	15,715,740	-	100.0%
Transfer to School Operations	182,019,694	182,630,848	182,630,848	-	100.0%
Transfers to Capital & Debt	43,912,802	46,025,979	45,963,717	(62,262)	99.9%
Other Transfers	2,296,214	4,895,636	4,833,312	(62,324)	98.7%
Other Non-Departmental	4,718,382	4,509,939	3,841,094	(668,845)	85.2%
Subtotal, Non-Departmental	248,662,832	253,778,142	252,984,711	(793,431)	99.7%
TOTAL, GENERAL FUND EXPENDITURES	408,191,128	428,778,258	416,291,308	(12,486,951)	97.1%
Projected Change in Fund Balance - Increase/(Decrease)			12,303,659		

Discussion

General Fund Revenues

Preliminary General Fund actual revenues, excluding the use of fund balance, total \$428,594,967 in FY 24. This amount is \$13.3 million or 3.2% above the revised budget. The difference between the revised budget and the preliminary actual revenues is primarily due to the following:

- **Current Real Estate and Personal Property Taxes** are projected at \$271.5 million, \$10.0 million or 3.8% above the revised budget. This is primarily due to: the net impact of a Calendar Year 2024 (CY 24) real estate reassessment greater than the projected CY 24 reassessment in the FY 24 Revised Budget, actual collection rates, and other adjustments in values and billings; and due to the increase in the Personal Property Tax (PPT) rates by \$0.54 to a new rate of \$3.96 per \$100

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of assessed value for calendar year 2024, this resulted in June PPT collections that exceeded the amounts projected in the FY 24 appropriated budget.

- **Business Driven Taxes** are projected at \$20.9 million, \$1.2 million or 6.0% above the revised budget. This is primarily due to increased collections for Business, Professional, and Occupational Licenses (BPOL), which is primarily based on the businesses' gross receipts in Calendar Year 2023. For recent historical perspective of this variance, this year-to-year change in revenues is shown in the following table:

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
BPOL Year-to-Year Change in Revenues	+3.0%	+1.9%	+2.6%	-(0.2%)	+9.2%	+5.7%	9.2%

This trend in BPOL is based primarily on businesses' gross receipts in the prior Calendar Year (CY), and the decline in FY21 revenues was due to the pandemic recession during CY 20. The recovery in CY 21 translated to much stronger revenues in FY 22, as economic activity such as consumer spending and development activity increased during that time, and that trend of increased activity and business growth continued into FY 23 at a slower rate, but several factors such as increased prices due to inflation resulted in even higher gross receipt growth in FY24, which was reflected in the increased revenue in the area of retail, contractor and financial licenses.

- **Consumer-Driven Taxes** are projected to end the year at \$55.6 million, \$0.7 million or 1.4% above the revised budget. The primary reason for this is due to year-to-date trends in food and beverage and transient occupancy taxes. These revenues exceeded projected increases in the revised budget due to continued strong growth at a slightly higher rate compared to recent history for the majority of the fiscal year.
- **Other Local Taxes** are projected to end the year at \$15.6 million, \$2.4 million or 18.5% above the revised budget. This is primarily due to the collections of Recordation and Sellers Taxes, which were stronger than anticipated in the FY 24 Budget. This is also due to stronger than anticipated collections in delinquencies, penalties, and interest based upon improvements in collection processes.
- **Other Local Revenues** are projected to end the year at \$18.9 million, \$0.8 million or 4.6% above the revised budget. This is primarily due to Community Development Department fees based on development activity and increased interest earnings on investments.
- **State Revenues** are projected to end the year at \$27.7 million, \$1.9 million or 6.7% below the revised budget. This is primarily due to revenues not received due to corresponding preliminary actual expenditures in the Department of Social Services and the Clerk of the Circuit Court.
- **Federal Revenues** are projected to be \$8.9 million, \$0.1 million or 1.6% above the revised budget. This is primarily due to Department of Social Services revenues received directly from Federal sources that previously had been received from the State.

General Fund Expenditures

Preliminary General Fund actual expenditures total \$416,291,308 in FY 24. This amount is \$12.4 million or 2.9% below the revised budget. The difference between the revised budget and the preliminary actual expenditures is primarily due to the following:

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- \$8.9 million in operating costs for items that are anticipated to be re-appropriated from FY 24 to FY 25, pending review and approval.
- \$1.8 million in departmental salary and benefit savings, primarily due to employee turnover and vacant positions.
- \$588,000 in savings from community partner agencies and other one-time programmatic savings.
- \$510,000 in unused reserves, primarily in the Reserve for Contingencies funding.
- \$379,000 in Department of Social Services State and Federal Programs that are largely reimbursed by related revenue.
- \$316,000 in other miscellaneous departmental savings.