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 22, the General Fund's unassigned fund balance was $72.0 million. Based on the result of the preliminary actual revenues less anticipated preliminary expenditures during FY 23, as shown in the table on page 3, the General Fund's fund balance is projected to increase $7.2 million to $79.2 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 $79.2 million in unassigned fund balance at the end of FY 23:

- $48.1 million is required to meet the County's policy requirements for unassigned fund balance.

Policy	Amount
Unassigned Fund Balance *(10% of Operating Revenues, which is General Fund+School Fund - General Fund Transfer to School Fund)*	48,105,234

- $9.6 million is required to meet the County's adopted 2% Budget Stabilization Reserve policy change as adopted in the County's Financial Management Policies.

- $14.7 million is appropriated or obligated, primarily due to funding a) already appropriated in FY 24, b) under review to re-appropriate uncompleted projects or purchase orders from FY 23 to FY 24, 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 25 budget development process and after the audit is complete. In the prior three 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 24 and FY 25. 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 as of January 1, 2022 and January 1, 2023 during FY 23 and do not yet reflect more recent market impacts. Additionally, Business, Professional, and Occupational License (BPOL) revenues are largely based on Calendar Year 2022 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

GENERAL FUND REVENUE	FY23 Adopted Budget	FY23 Revised Budget	FY23 Preliminary Actual	$ Variance (Proj-Rev)	% Variance (Proj/Rev)
Current Real Estate and Personal Property Tax	233,599,477	241,549,898	246,005,440	4,455,542	101.8%
Business-Driven Taxes	17,344,348	18,433,207	19,489,992	1,056,785	105.7%
Consumer-Driven Taxes	49,164,496	51,464,863	53,219,831	1,754,968	103.4%
Other Local Taxes	14,756,987	14,756,987	14,672,599	(84,388)	99.4%
Other Local Revenue	9,526,691	13,446,002	15,154,578	1,708,576	112.7%
Subtotal, Local	**324,391,999**	**339,650,957**	**348,542,439**	**8,891,482**	**102.6%**
State	28,801,879	29,252,194	27,824,473	(1,427,721)	95.1%
Federal	8,266,645	8,310,554	7,987,301	(323,253)	96.1%
Transfers	3,604,144	3,923,509	3,785,448	(138,061)	96.5%
TOTAL, GENERAL FUND REVENUE	**365,064,667**	**381,137,214**	**388,139,662**	**7,002,448**	**101.8%**

GENERAL FUND EXPENDITURE	FY23 Adopted Budget	FY23 Revised Budget	FY23 Preliminary Actual	$ Variance (Proj-Rev)	% Variance (Proj/Rev)
Administration	26,375,658	30,139,603	22,907,217	(7,232,386)	76.0%
Judicial	6,963,217	7,468,618	6,916,583	(552,035)	92.6%
Public Safety	53,478,910	48,150,047	47,551,742	(598,305)	98.8%
Public Works	8,126,282	9,420,688	8,714,602	(706,086)	92.5%
Health & Welfare	24,527,532	24,893,799	23,652,452	(1,241,347)	95.0%
Parks, Recreation & Culture	9,618,543	9,762,701	9,629,877	(132,824)	98.6%
Community Development	13,087,081	13,891,875	12,399,768	(1,492,107)	89.3%
Subtotal, Departmental Operations	**142,177,223**	**143,727,333**	**131,772,242**	**(11,955,091)**	**91.7%**
City/County Revenue Sharing	15,545,227	15,545,227	15,545,227	-	100.0%
Transfer to School Operations	167,453,853	167,453,853	167,453,853	-	100.0%
Transfers to Capital & Debt	35,820,668	47,671,076	47,671,076	-	100.0%
Other Transfers	1,983,176	16,314,644	16,221,585	(93,059)	99.4%
Other Non-Departmental	5,304,441	3,267,886	2,243,786	(1,024,100)	68.7%
Subtotal, Non-Departmental	**226,107,365**	**250,252,686**	**249,135,527**	**(1,117,159)**	**99.6%**
TOTAL, GENERAL FUND EXPENDITURES	**368,284,588**	**393,980,019**	**380,907,769**	**(13,072,250)**	**96.7%**
Budgeted/Projected Use of Fund Balance	3,219,921	12,764,985	(7,231,893)		

Discussion

General Fund Revenues

Preliminary General Fund actual revenues, excluding the use of fund balance, total $388,139,662 in FY 23. This amount is $7.0 million or 1.8% 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 $246.0 million, $4.4 million or 1.8% above the revised budget. This is primarily due to the net impact of a Calendar Year 2023 (CY 23) real estate reassessment greater than the projected CY 23 reassessment in the FY 23 Revised Budget, actual collection rates, and other adjustments in values and billings.

- **Business Driven Taxes** are projected at $19.5 million, $1.0 million or 5.7% 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 2022. For recent historical perspective of this variance, this year-to-year change in revenues is more than the historical trend, but returning closer to pre-pandemic variations, as shown in the following table:

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

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 has continued into FY 23.

- **Consumer-Driven Taxes** are projected to end the year at $53.2 million, $1.7 million or 3.4% above the revised budget. The primary reason for this is due to year-to-date trends in sales 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.

- **Other Local Revenues** are projected to end the year at $15.1 million, $1.7 million or 12.7% 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 $27.8 million, $1.4 million or 4.9% 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 $7.9 million, $0.3 million or 3.9% below the revised budget. This is primarily due to revenues not received due to corresponding preliminary actual expenditures in the Department of Social Services.

- **Transfers** are projected to be $3.7 million, $0.1 million or 3.5% below the revised budget. This is primarily due to transfers not utilized due to corresponding preliminary actual expenditures for Water Resources and grant related programming.

<u>General Fund Expenditures</u>

Preliminary General Fund actual expenditures total $380,907,769 in FY 23. This amount is $13.0 million or 3.3% below the revised budget. The difference between the revised budget and the preliminary actual revenues is primarily due to the following:

- $8.5 million in operating costs for items that are anticipated to be re-appropriated from FY 23 to FY 24, pending review and approval.
- $522,000 in unused reserves, primarily in the Reserve for Contingencies funding.
- $1.7 million in departmental salary and benefit savings, primarily due to employee turnover and vacant positions.
- $895,000 in Department of Social Services State and Federal Programs that are largely reimbursed by related revenue.
- $807,000 in savings from community partner agencies and other one-time programmatic savings.
- $560,000 in other miscellaneous departmental savings.