

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, which are adopted by the Board of Supervisors.

At the end of FY 24, the General Fund's unassigned fund balance was \$97.9 million. Based on the result of the preliminary actual revenues less anticipated preliminary expenditures during FY 25, as shown in the table on page 2, the General Fund's fund balance is projected to increase \$1.5 million to \$99.4 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 \$99.4 million in unassigned fund balance at the end of FY 25:

- \$54.9 million is required to meet the County's adopted 10% General Fund's Fund Balance policy requirements for unassigned fund balance as adopted in the County's Financial Management Policies.
- \$11.0 million is required to meet the County's adopted 2% Budget Stabilization Reserve policy as adopted in the County's Financial Management Policies.

Policy	Amount
Unassigned Fund Balance <i>(10% of Operating Revenues, which is General Fund + School Fund - General Fund Transfer to School Fund)</i>	\$ 54,873,151
Budget Stabilization Reserve <i>(2% of Operating Revenues, which is General Fund + School Fund - General Fund Transfer to School Fund)</i>	\$ 10,974,630

- \$4.6 million is estimated to be required to meet the General Fund-School Reserve Fund policy as adopted in the County's Financial Management Policies.
- \$15.6 million is appropriated or obligated, primarily due to funding a) already appropriated in FY 26, b) under review to re-appropriate uncompleted projects or purchase orders from FY 25 to FY 26, and c) reserved at this time to meet anticipated fund balance policy requirements in FY 26 should General Fund revenues increase.
- \$2.5 million is recommended to be held for consideration as part of the FY 27 budget development process after the audit is complete. In prior budgets, it has been typical for approximately \$2.5 million of one-time funding to be planned for one-time expenses in the

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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 26 and FY 27. Many of the County's major revenue collections lag from current activity. For example, real estate reassessments, which are one factor in real estate tax revenues, were as of January 1, 2024 and January 1, 2025 during FY 25 and do not yet reflect more recent market impacts. Additionally, Business, Professional, and Occupational License (BPOL) revenues are largely based on Calendar Year 2024 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 continue with the Five-Year Financial Plan work sessions in November and December.

Albemarle County Preliminary Year End Financial Report - General Fund

	FY25 Adopted Budget	FY25 Revised Budget	FY25 Preliminary Actual	\$ Variance (Proj-Rev)	% Variance (Proj/Rev)
GENERAL FUND REVENUE					
Current Real Estate and Personal Property Tax	277,262,346	288,638,009	295,328,278	6,690,269	102.3%
Business-Driven Taxes	20,011,947	20,011,947	21,742,824	1,730,877	108.6%
Consumer-Driven Taxes	57,279,309	57,279,309	59,097,083	1,817,774	103.2%
Other Local Taxes	14,505,033	14,505,033	16,723,560	2,218,527	115.3%
Other Local Revenue	16,871,866	16,963,817	20,170,629	3,206,812	118.9%
Subtotal, Local	385,930,501	397,398,115	413,062,374	15,664,259	103.9%
State	30,135,511	30,142,587	28,599,896	(1,542,691)	94.9%
Federal	9,256,666	9,269,166	9,420,005	150,839	101.6%
Transfers	7,208,172	7,208,172	7,362,142	153,970	102.1%
TOTAL, GENERAL FUND REVENUE	432,530,850	444,018,040	458,444,416	14,426,376	103.2%

	FY25 Adopted Budget	FY25 Revised Budget	FY25 Preliminary Actual	\$ Variance (Proj-Rev)	% Variance (Proj/Rev)
GENERAL FUND EXPENDITURE					
Administration	28,563,649	33,128,243	28,144,740	(4,983,502)	85.0%
Judicial	8,652,307	8,756,251	8,377,554	(378,697)	95.7%
Public Safety	67,530,241	71,196,223	67,686,868	(3,509,355)	95.1%
Public Works	11,997,843	12,542,818	11,978,198	(564,621)	95.5%
Health & Welfare	30,184,308	31,825,601	30,110,672	(1,714,929)	94.6%
Parks, Recreation & Culture	11,870,277	12,033,011	11,765,379	(267,632)	97.8%
Community Development	17,619,498	18,169,631	16,202,435	(1,967,196)	89.2%
Subtotal, Departmental Operations	176,418,123	187,651,779	174,265,846	(13,385,932)	92.9%
City/County Revenue Sharing	17,760,728	17,760,728	17,760,728	-	100.0%
Transfer to School Operations	195,048,815	202,708,809	202,708,809	-	100.0%
Transfers to Capital & Debt	40,930,847	50,015,585	50,014,485	(1,100)	100.0%
Other Transfers	2,332,963	6,913,612	6,870,559	(43,053)	99.4%
Other Non-Departmental	5,482,755	6,505,377	5,271,085	(1,234,292)	81.0%
Subtotal, Non-Departmental	261,556,108	283,904,111	282,625,666	(1,278,445)	99.5%
TOTAL, GENERAL FUND EXPENDITURES	437,974,231	471,555,889	456,891,513	(14,664,377)	96.9%

Projected Change in Fund Balance - Increase/(Decrease) 1,552,904

Discussion

General Fund Revenues

Preliminary General Fund actual revenues, excluding the use of fund balance, total \$458,444,416 in FY 25. This amount is \$14.4 million or 3.2% above the revised budget. The difference between the

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revised budget and the preliminary actual revenues is primarily due to the following:

- **Current Real Estate and Personal Property Taxes** are projected at \$295.3 million, \$6.7 million or 2.3% above the revised budget. This is primarily related to Personal Property Tax. There were several factors behind this: the increase in the Personal Property Tax (PPT) rates by \$0.32 to a new rate of \$4.28 per \$100 of assessed value for calendar year 2025, a large unanticipated increase in the number of vehicles registered/garaged in the County, higher than anticipated collection rates, and a change in the vehicle assessment process used by the company that provided the assessment figures to the County. All of these combined factors resulted in June personal property collections that exceeded the amounts projected in the FY 25 appropriated budget.
- **Business Driven Taxes** are projected at \$21.7 million, \$1.7 million or 8.6% 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 2024. 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	FY25
BPOL Year-to-Year Change in Revenues	+3.0%	+1.9%	+2.6%	-(0.2%)	+9.2%	+5.7%	+9.2%	+2.8

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. Several factors such as increased prices due to inflation resulted in even higher gross receipt growth in FY24. The growth has continued into FY 25 which was reflected in the increased revenue in the area of retail, contractor and financial licenses, but at a slower rate that more closely resembles the pre-pandemic trends.

- **Consumer-Driven Taxes** are projected to end the year at \$59.1 million, \$1.8 million or 3.2% above the revised budget. The primary reason for this is due to the year-to-date trend in the Sales and Use and Transient Occupancy taxes. Sales and Use exceeded projected increases in the 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 \$16.7 million, \$2.2 million or 15.3% above the revised budget. This is primarily due to the collections of Public Service Corporation, Recordation and Sellers Taxes, which were stronger than anticipated in the FY 25 Budget. This is also due to stronger than anticipated collections in delinquencies, penalties, and interest based upon improvements in collection rates for these processes.
- **Other Local Revenues** are projected to end the year at \$20.2 million, \$3.2 million or 18.9% above the revised budget. This is primarily due to Community Development Department fees based on development activity; increased interest earnings on investments; and revenue from the Speed Camera program designed to increase traffic safety in school zones.
- **State Revenues** are projected to end the year at \$28.6 million, \$1.5 million or 5.1% below the revised budget. This is primarily due to revenues not received due to corresponding preliminary actual expenditures and reimbursement rates for the Department of Social Services.
- **Federal Revenues** are projected to be \$9.4 million, \$0.1 million or 1.6% above the revised budget. This is primarily due to Department of Social Services revenues received directly from

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Federal sources based upon actual expenditures and reimbursement rates.

General Fund Expenditures

Preliminary General Fund actual expenditures total \$456,891,513 in FY 25. This amount is \$14.6 million or 3.1% below the revised budget. The difference between the revised budget and the preliminary actual expenditures is primarily due to the following:

- \$7.7 million in operating costs for items that are anticipated to be re-appropriated from FY 25 to FY 26, pending review and approval.
- \$2.7 million in departmental salary and benefit savings, primarily due to employee turnover and vacant positions.
- \$1.4 million in MicroCAT grant match savings due to an unanticipated grant extension.
- \$1.3 million in unused reserves, primarily in the Reserve for Contingencies funding.
- \$811,000 in savings from community partner agencies and other one-time programmatic savings.
- \$370,000 in Department of Social Services State and Federal Programs that are largely reimbursed by related revenue.
- \$358,000 in other miscellaneous departmental savings.