



CITY OF CHARLOTTESVILLE

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To: Samuel Sanders, Jr., City Manager

From: Chris Cullinan, Director of Finance

Date: January 29, 2026

Re: FY25 Year End Results and General Fund, Fund Balance Surplus

SUMMARY

The General Fund, fund balance surplus for FY25 is **\$8,502,178**, 3.4% of the Adopted FY25 Budget.

The surplus is often referred to as a “budget surplus”. It is actually a “fund balance” surplus of which the FY25 budget performance is a significant component, but not the only piece. There are other items which are included in the calculation such as the City’s Long-term Financial Management Policies of maintaining a General Fund balance of at least 14% and a Downturn Reserve Fund of at least 3% of the budget (this calculation will be shown in more detail later in this memo).

As shown in the below table, the FY25 surplus is much smaller than the last several years both in both dollar amounts and as a percentage of the adopted budget. As a percentage of the adopted budget, FY25 surplus is comparable to pre-COVID year end results

Fiscal Year	GF Fund Balance Surplus	Adopted Budget	Surplus as % of Adopted Budget
2019	\$5,829,266	\$179,725,535	3.2%
2020	\$3,909,846	\$188,863,920	2.1%
2021	\$12,184,691	\$191,195,873	6.4%
2022	\$22,917,915	\$192,212,843	11.9%
2023	\$21,739,731	\$212,889,291	10.2%
2024	\$22,389,718	\$228,433,246	9.8%
2025	\$8,502,178	\$251,948,630	3.4%

BUDGET RESULTS AND ANALYSIS

- Revenues finished \$7.5M better than expected, 3.0% above budget.
- Expenditures were \$3.6M below budget, 1.3% below budget.

Overall, actual results were much closer to budgeted amounts than in previous fiscal years.

Revenues

The below tables uses the FY25 Q3 Quarterly Financial Report to City Council as a template for analyzing the revenue results. As projected in the Q3 report, several of the City’s largest revenue finished above budget including Real Estate Taxes, Personal Property Taxes, Public Service Taxes, Utility Taxes, BPOL, and Building and Plumbing Permits (see the data highlighted in **green**). The strong performance of these locally-sourced revenues is similar to past fiscal years.

Also noteworthy, revenues from Sales Tax, Lodging Tax, and Meals Tax performed below their budget target (see data highlighted in **red**). The underperformance of these revenues has not been seen for a number of years as noted in the Q3 Quarterly Financial Report.

“Sales, meals, and lodging tax revenues continue to under-perform despite the tax rate increases which were adopted for meals and lodging as part of the FY25 budget. As was noted in the last quarterly report, except for the pandemic related declines, the City has not experienced underperformance since 2008 for sales tax revenue and 2009 for lodging tax revenue.”

	FY25 Q3 QUARTERLY FINANCIAL REPORT TO CITY COUNCIL			FY25 ACTUAL RESULTS		
	Original Budget	Revised Budget	\$ Change from Original Budget	FY25 Actual	\$ Change from Original Budget	% Over/- Under Original Budget
Local Taxes						
Real Estate Tax	108,438,706	110,638,044	2,199,338	110,202,436	1,763,730	1.6%
Personal Property Tax	13,304,762	14,300,000	995,238	14,100,927	796,165	6.0%
Penalty/Interest on Delinquent Taxes	850,000	880,000	30,000	1,003,985	153,985	18.1%
Public Service Tax	1,746,954	1,961,548	214,594	2,041,089	294,135	16.8%
Utility Taxes	4,700,000	4,900,000	200,000	4,933,233	233,233	5.0%
Virginia Communications Sales and Use Tax	2,082,500	2,065,000	-17,500	2,077,779	-4,721	-0.2%
Tax on Wills & Deeds	550,000	600,000	50,000	793,001	243,001	44.2%
Sales & Use Tax	15,810,000	14,000,000	-1,810,000	14,174,823	-1,635,177	-10.3%
Transient Room Tax	9,562,500	9,100,000	-462,500	8,983,836	-578,664	-6.1%
Meals Tax (GF and DSF)	21,253,218	21,100,000	-153,218	21,205,537	-47,681	-0.2%
Cigarette Tax	550,000	450,000	-100,000	457,275	-92,725	-16.9%
Short-term Rental Tax	60,000	64,200	4,200	61,231	1,231	2.1%
Vehicle Daily Rental Tax	135,000	140,000	5,000	132,710	-2,290	-1.7%
Plastic Bag Tax	100,000	75,000	-25,000	71,331	-28,669	-28.7%
Licenses and Permits						
Business & Professional Licenses	10,000,000	11,000,000	1,000,000	10,767,041	767,041	7.7%
Building and Plumbing Permits	570,000	2,300,000	1,730,000	2,475,355	1,905,355	334.3%
Revenue from State Agencies						
State Highway Assistance	5,591,341	5,629,814	38,473	5,629,814	38,473	0.7%
State Aid for Police Protection	2,640,188	2,681,084	40,896	2,681,084	40,896	1.5%
Fire Operations - UVA	360,060	402,325	42,265	402,325	42,265	11.7%
UVA Service Charge	60,000	107,000	47,000	92,265	32,265	53.8%
TOTAL	198,365,229	202,394,015	4,028,786	202,287,078	3,921,849	2.0%
Other Revenues						
Interest Income	3,000,000			4,863,840	1,863,840	62.1%
Gains/Losses on Investments	0			1,328,606	1,328,606	
All Other Permits (not inc. Building and Plumbing Permits)	771,300			1,010,824	239,524	31.1%

Note the bottom line accuracy of the revenue projected in the Q3 Quarterly Financial Report which projected a surplus of just over \$4.0M. The actual results were a little more than \$3.9M. A mere difference of about \$100,000.

In addition to the performance of the revenue sources included in the Quarterly Financial Report to City Council, other notable results include proceeds from managing the City's idle cash (Interest Income, Gains/Losses on Investments) and other permit revenues not including Building and Plumbing permits (since these are already included in the Monthly Financial Report template).

Projecting the amount of revenue from cash management is challenging given the uncertainty of returns on investments. Surpluses are always described as being treated one-time in nature. The performance of these revenues from cash management is an example of this as the City would not want to base on-going revenue projections on speculative predictions.

Expenditures

G/L Class	SAP Description	Current Budget	Actuals and PO's	\$ Diff	% of Budget
510000	Salaries and Benefits	83,567,734	80,594,188	-2,973,545	-3.6%
520000	Professional and Technical Skills	4,572,016	4,241,366	-330,649	-7.2%
530000	Supplies	26,966,714	27,169,706	202,992	0.8%
540000	General Expenses	102,940,815	102,103,971	-836,844	-0.8%
560000	Other Expenses, Transfers	65,318,162	65,747,564	429,402	0.7%
TOTAL		283,365,440	279,856,795	-3,508,645	-1.2%

In the past several years, “salaries and benefits” expenditures were significantly below budget as a result of high vacancy rates. The FY25 results illustrate the City’s increased efforts to recruit and retain employees as well as a more refined approach to budgeting for vacancies.

The “salaries and benefits” results also reflects the use of approximately \$900k of ARPA funds to offset eligible public safety salary expenses (i.e. there are approximately \$900k of salary and benefit costs not included in the above actual expenditures). City Council approved the use of these funds in December 2024 in order to meet the US Treasury deadline of 12/31/2024 to obligate all ARPA funds.

In previous fiscal years, a portion of under budget performance was related to additional budget funds from surpluses being added to department budgets. Departments would not fully spend their “normal” budget allocation in addition to surplus funds. Pursuant to the City’s Long-term Financial Management Policies, the full FY24 was placed in CIP Contingency. Thus there was no “recycling” of previous years surpluses in FY25 as there was in prior years.

Following the \$22.4M surplus in FY24, the City Manager and Budget Office emphasized the need for departments to more accurately project their financial needs and timely execution of initiatives within the fiscal year. Those efforts are reflected in the FY25 actual expenditures being closer to budget.

SURPLUS FUND BALANCE CALCULATION

The calculation of the FY25 General Fund, fund balance surplus is shown below.

Of note, is the approximately \$45.1M reflecting the City's Long-term Financial Management Policy of maintaining a 17% General Fund fund balance target.

June 30, 2024 Fund Balance	\$74,187,546	
FY25 Revenues	\$259,480,613	
FY25 Expenditures	-\$274,640,313	
Difference	-\$15,159,700	
June 30, 2025 Fund Balance	\$59,027,846	
Less: Budget carry-over for General Fund Continuing Appropriations	-\$1,176,800	
Less: Budget carry-over for General Fund Open Encumbrances	-\$1,937,876	
Less: General Fund Landfill Reserve	-\$2,318,756	
Less: General Fund 14% Target (of current FY GF Adopted Budget)*	-\$37,134,782	= \$45,092,236
Less: General Fund 3% Target (of curent FY GF Adopted Budget)*	-\$7,957,453	
Subtotal	-\$50,525,668	
Fund Balance Surplus	\$8,502,178	

* Based on FY26 Adopted Budget of \$265,248,446.