

# Quarterly Report

## Department of Finance & Procurement



Town Council Meeting Date: May 13, 2025

Second Quarter 2025: January, February, March 2025

### Department introduction:

The mission of the Department of Finance and Procurement is to promote excellence and transparency in the delivery of effective and efficient financial management services to our internal and external customers and stakeholders. This is accomplished by adhering to sound financial management practices, demonstrating integrity in all that we do, and working as a team to support the Town's mission, vision, and values.

The Department is responsible for accounting and financial reporting, budget preparation and monitoring, debt management, accounts receivable, accounts payable, payroll processing, procurement, tax billing, utility billing, collections, and investment management.

### Project Progress:

#### Accounting and Financial Reporting:

- Staff are in the initial planning stages for the fiscal year 2025 audit.

#### Budget:

- Fiscal Year 2026 Proposed Budget:
  - The Town Manager's Proposed Budget was delivered to Council on April 1<sup>st</sup>.
  - The Budget Manager provided the initial budget presentation to the Council during the work session on April 8<sup>th</sup>.
  - Town Council held a special budget work session on April 21<sup>st</sup>.
  - On April 21<sup>st</sup>, the Town's financial advisors provided a Comprehensive Financial Review to the Town Council.
  - A Public Hearing on the Proposed Budget, Tax Rates, Water and Sewer Rates and other fees will be held on May 13<sup>th</sup>. Property tax rates (real estate and personal property) must be set at that meeting according to the Town Code.

#### Tax Administration:

- A public hearing will be held on May 13<sup>th</sup> to update the Town's code section for tax relief for the elderly and permanently disabled to align with Fauquier County's code. The Fauquier County Commissioner of the Revenue administers this program. The code

update will allow approved applications for exemption to be applied to the taxpayer's Town tax bill.

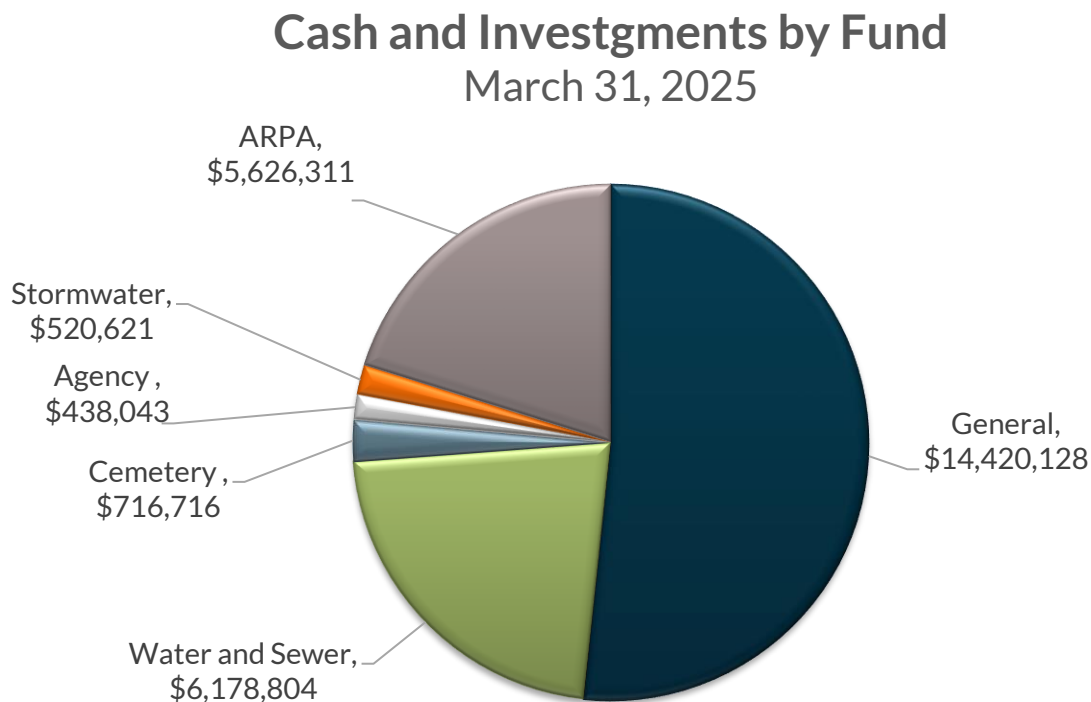
- Upcoming tax due dates:
  - Business License renewal applications were due on April 15<sup>th</sup>. The business license is based on prior calendar year gross receipts. In general, the gross receipts are trending higher. Bills will be generated and are due on June 30<sup>th</sup>.
  - Real estate tax and stormwater management fees for the first half of 2025 will be due on June 15<sup>th</sup>.
  - Brank franchise tax payments are due on June 1<sup>st</sup>.

### **Charts and information:**

The following charts are provided based on the information contained in the **attached financial statements for the period ending March 31, 2025**. The statements are presented on a cash basis.

#### **Cash and Investments**

The following chart shows the cash and investment balances for each of the Town's major funds. The total has decreased by approximately \$5.2 million compared to the same period last year primarily due to the spending of ARPA funds and capital spending.



### Reserve Amounts

This section has been modified to provide the unassigned fund balance as of the financial statement date. The council adopted a minimum unassigned fund balance for the General Fund equivalent to 50% of current adopted annual operating expenditures. That policy target for FY25 is \$9.4 million. As of March 31, 2025, the unassigned fund balance falls below that target by \$799,778.

For the Water and Sewer fund, the Council adopted a policy to maintain a cash balance equivalent to 200 days of operating expenses. As of March 31, 2025, the cash balance in the fund falls short of the policy level by \$562,093.

As we close out a fiscal year, many items are adjusted and accrued to the prior fiscal year in July and August. For this reason, falling below these targets is not unusual at this point in the year. For the General Fund, two large revenue sources (BPOL and Bank Franchise Tax) are due in June, plus the first half real estate billing.

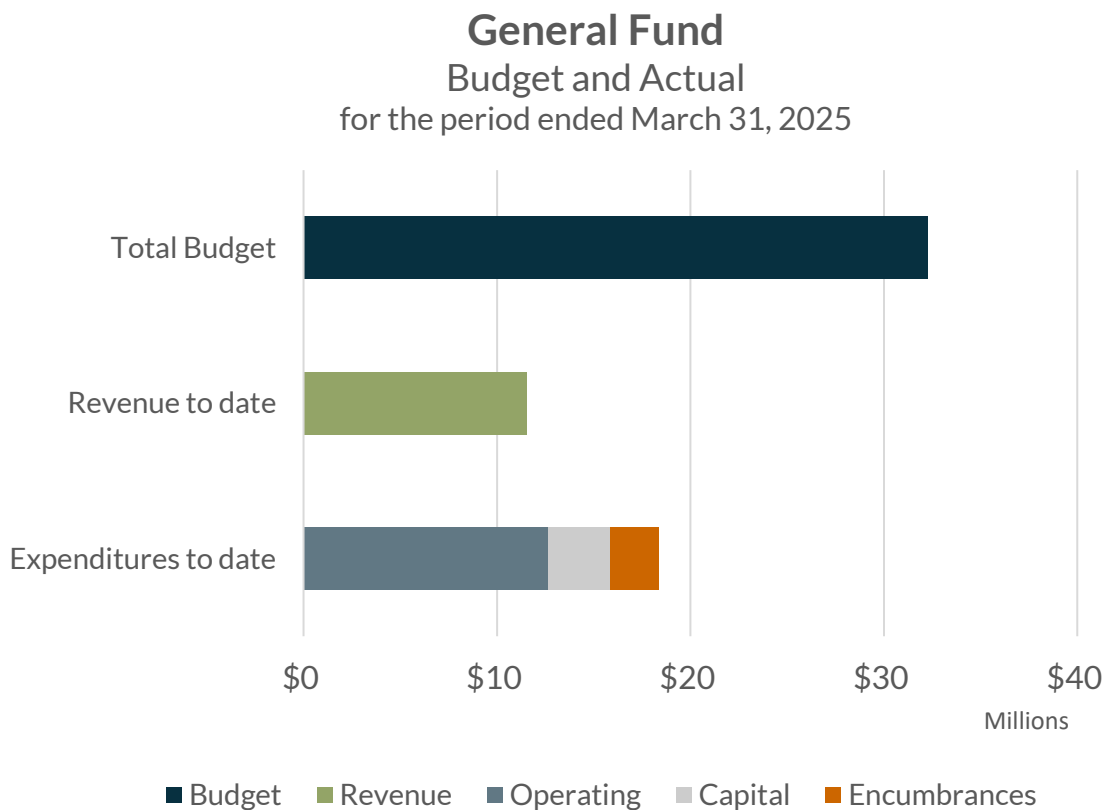
As we progress through the budget process, staff will provide updated projections for compliance with these policies.

### Budget and Actual by Fund

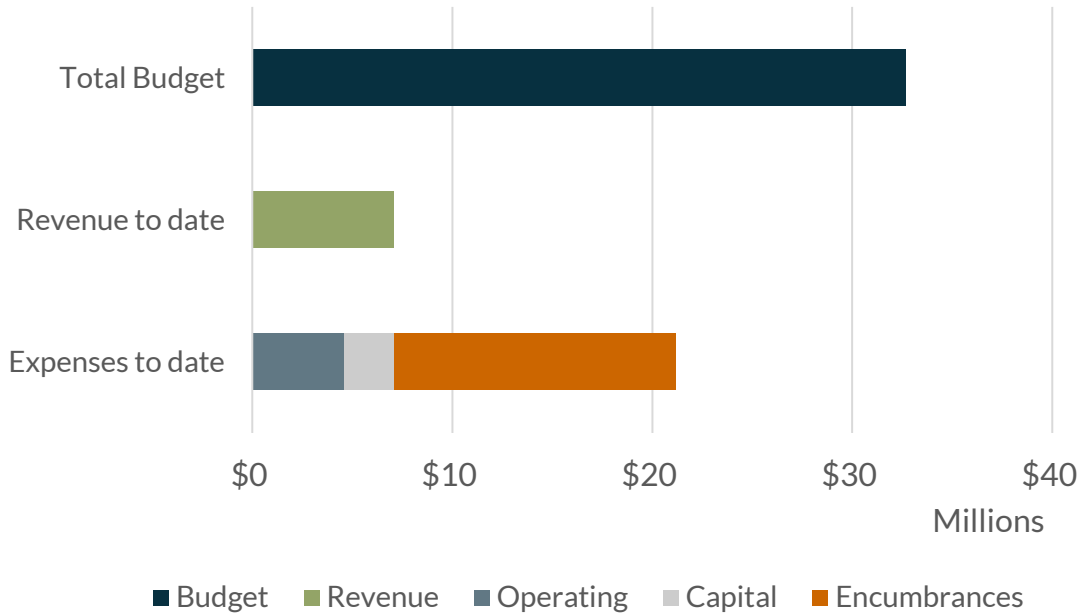
The following pages contain graphs for each fund that compare the budget to the actual revenue or expenditures recorded year-to-date. Capital projects are included for each fund. This can distort the budget-to-actual comparison, since most capital spending crosses over fiscal years.

Each graph shows:

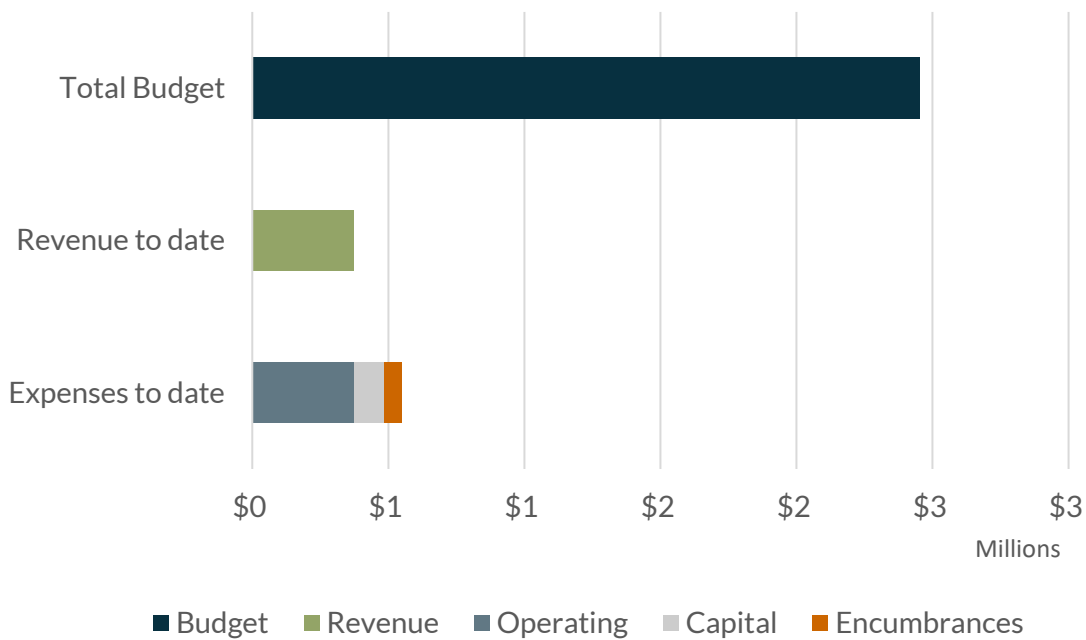
- the total budget for the fund, represented by the dark blue bar at the top of each graph.
- revenue received year-to-date, represented by the green bar.
- expenditures recorded year-to-date.
  - This is further broken down into
    - Operating (blue)
    - Capital (light gray)
    - Encumbrances (orange) – this represents the total value of purchase orders issued to vendors for services, equipment, materials, and supplies. While not part of the actual expenditure as of the end of the period, these amounts will be expended in the coming months.



### Water and Sewer Fund Budget and Actual for the period ended March 31, 2025



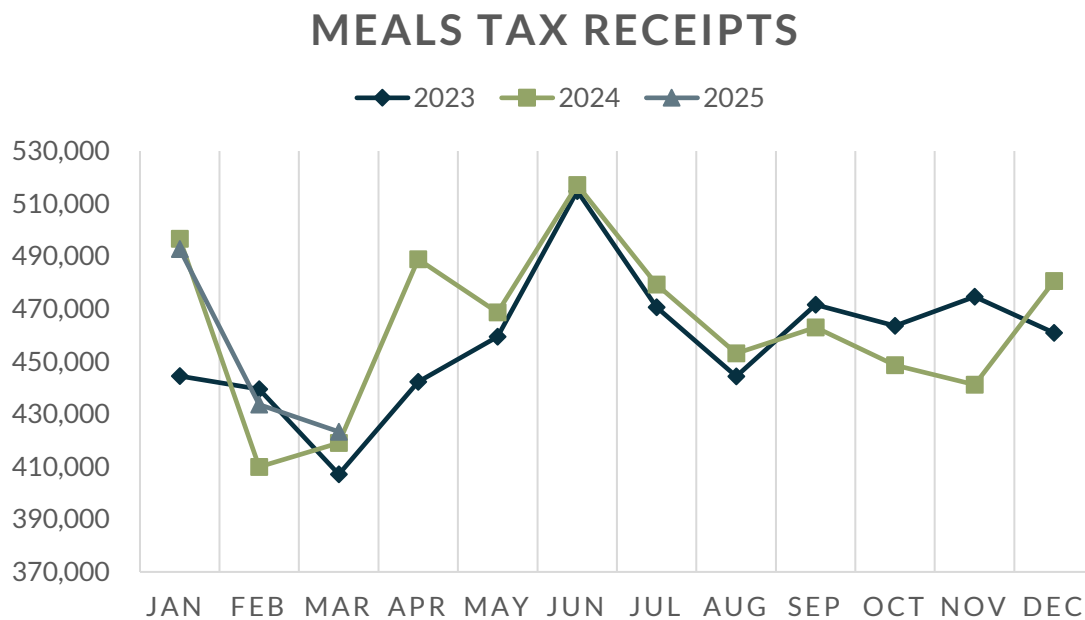
### Stormwater Fund Budget and Actual for the period ended March 31, 2025



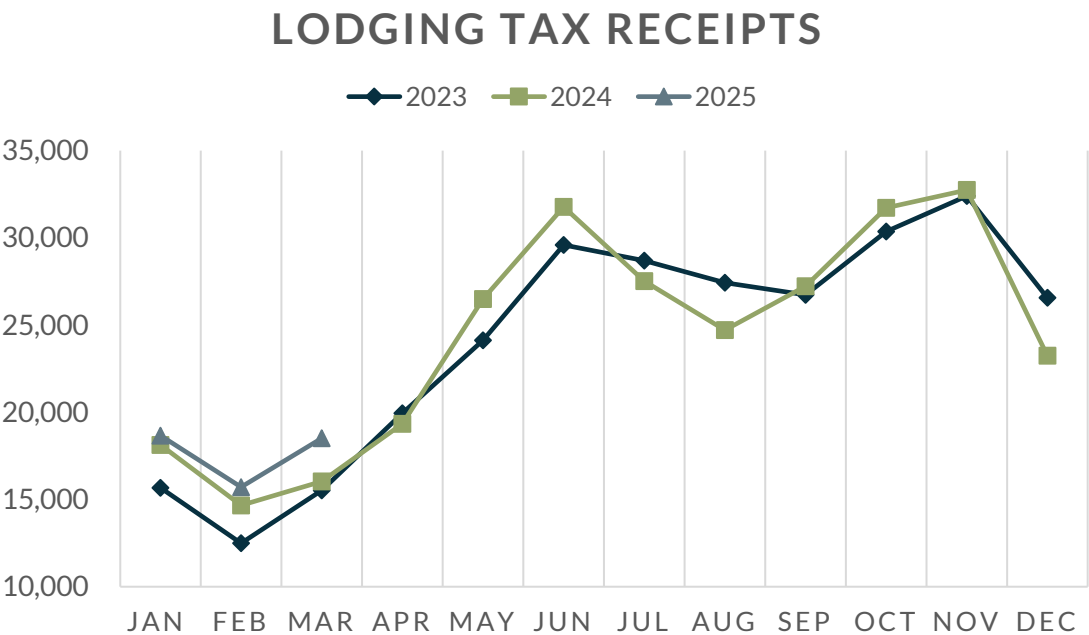
## REVENUE TRENDS

A review of monthly revenue categories is provided to assist in understanding how our current receipts compare to prior periods. The data is presented on a cash basis for the current calendar year (2025) and two prior years (2024 and 2023). The monthly revenue categories are Meals Tax, Lodging Tax, Local Sales Tax, and Utility Billing Receipts.

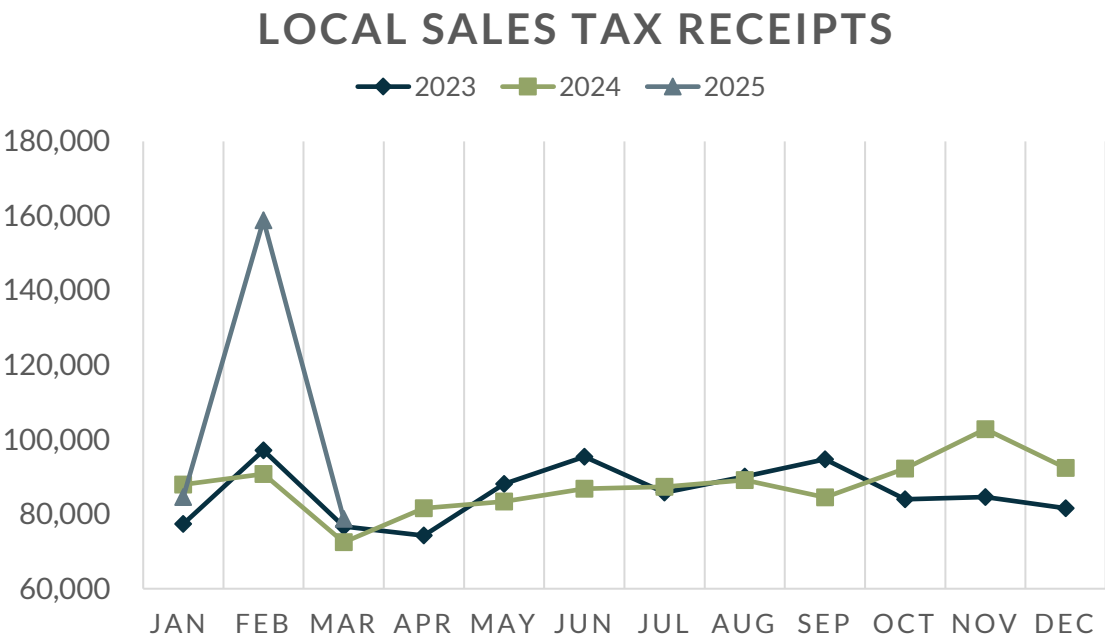
Meals Tax - This is the largest revenue source for the General Fund. Collections for the January through March 2025 are tracking in line with prior year receipts.



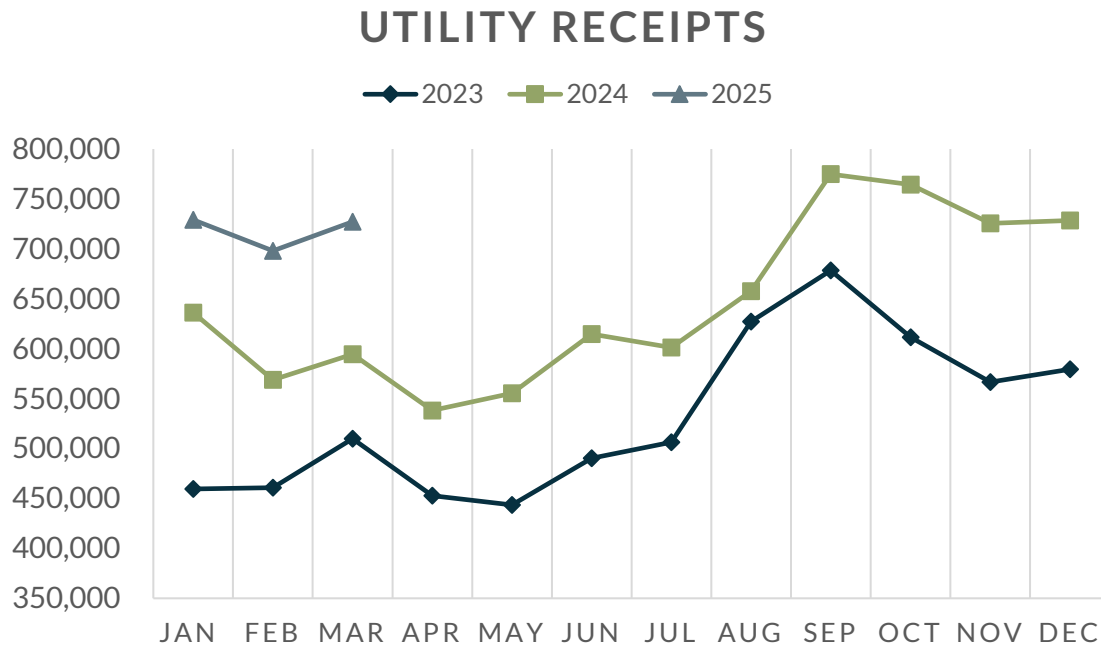
Lodging Tax – Lodging tax revenue has increased slightly this past quarter in comparison to the same period in prior years.



Local Sales Tax – Sales Tax receipts for January and March were trended consistent with 2024 but increased significantly in February. The remittance lags the month of collection by two months (e.g. – sales tax collected in December is received in February).



Utility Receipts - The chart below shows the monthly receipts for Water and Sewer bills. The increase in the August and September time frame for each year reflects the annual adopted rate increases of approximately 23% in accordance with the Water and Sewer rate study update finalized in 2023.



**Data:**

### DELINQUENT ACCOUNT BALANCES

#### Real Estate Tax and Stormwater Management Utility Fee

Real Estate tax and the Stormwater Management Utility fee are due twice a year, on June 15<sup>th</sup> and December 15<sup>th</sup>. The percentage collected and unpaid balances for FY24 and the first half of FY25 are shown below:

| Fiscal Year | Real Estate Tax  | Percentage Collected | Unpaid Balance |
|-------------|------------------|----------------------|----------------|
| FY24        | 2nd half, CY2023 | 99.4%                | \$2,507.25     |
| FY24        | 1st half, CY2024 | 99.2%                | \$3,317.52     |
| FY25        | 2nd half, CY2024 | 98.5%                | \$6,221.84     |



| Fiscal Year | Stormwater Utility Fee | Percentage Collected | Unpaid Balance |
|-------------|------------------------|----------------------|----------------|
| FY24        | 2nd half, CY2023       | 99.4%                | \$2,029.26     |
| FY24        | 1st half, CY2024       | 99.3%                | \$2,573.70     |
| FY25        | 2nd half, CY2024       | 98.5%                | \$5,390.43     |

#### Personal Property Tax and Vehicle License Fee

Personal Property taxes and vehicle license fees are due once a year on December 15<sup>th</sup>. The percent collected and unpaid balances for the December 15, 2024, billing are shown below:

| Fiscal Year | Type                           | Percentage Collected | Unpaid Balance |
|-------------|--------------------------------|----------------------|----------------|
| FY25        | Personal Property Tax          | 96.7%                | \$38,802.44    |
| FY25        | Business Personal Property Tax | 96.1%                | \$16,885.83    |
| FY25        | Vehicle License Fee            | 80.5%                | \$44,236.71    |

#### Business License Tax

Business license renewal applications are due annually on April 15<sup>th</sup> for the license year beginning July 1. The payment for the license is due on June 30<sup>th</sup>. The percentage collected and unpaid balances are shown below for the last three license years.

| Fiscal Year | Type                  | Percentage Collected | Unpaid Balance |
|-------------|-----------------------|----------------------|----------------|
| FY23        | Business License 2023 | 99.4%                | \$13,244.11    |
| FY24        | Business License 2024 | 98.9%                | \$25,993.10    |
| FY25        | Business License 2025 | 97.8%                | \$52,515.69    |

### Meals Tax

Meals Tax collectors must file for us to know the amount of tax owed. If they fail to file, we may issue a statutory assessment based on the best available information and pursue collection of that amount.

Past Due Amounts and Delinquent Filings: The Town has a total of 90 registered Meals Tax collectors. The following businesses have past due Meals Tax balances or are not current on their filings.

| Business            | Past Due Amount | No. of Months Past Due Filing |
|---------------------|-----------------|-------------------------------|
| Black Bear Bistro * | \$39,621.83     | 3                             |
| Fat Tuesdays        | \$2,116.78      | 0                             |
| Weirddoughs         | \$1,907.84      | 0                             |

*\* business closed; statutorily assessed for months that were not filed and turned balance over to third-party collection agency; total amount includes penalty and interest*

### Lodging Tax

Like Meals Tax, businesses must file for us to create an assessment. All registered collectors are current in their filings and payments.

### Sales Tax

Sales tax is remitted to the State each month based on the County, not the Town, that the business is located in. The local 1% is then sent back to the County. The amount to be distributed to the Towns is determined based on the residency of school-aged children. The County retains 50% of that amount and distributes the remaining 50% to the incorporated Towns based on the percentage of school-aged children residing in each town. There is no information provided by the State regarding delinquent accounts.

### Utility Billing

The total delinquent balance has increased by \$49,617 compared to March 2024. Some of the increase can be attributed to the 23% rate increase.

#### WATER AND SEWER OPERATING A/R AGING

|         | March 31, 2024 | March 31, 2025 | Incr./(Decr.) |
|---------|----------------|----------------|---------------|
| Over 30 | 42,310         | 74,452         | 32,142        |
| Over 60 | 8,991          | 23,511         | 14,520        |
| Over 90 | 1,863          | 4,818          | 2,955         |
| Total   | \$ 53,164      | \$ 102,781     | \$ 49,617     |