Fourth Quarter 2025 Financial Report

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COUNCIL FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE

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2025 Full Year Financial Summary

- Revenue collected 101.3% of amended budget ($134.1M); expenditures at 92.6% ($132.1M). Estimated year-end fund balance: $33.7M.
- Property taxes rose 13.9% from the Council-approved levy increase. Sales tax growth was only 1.8% in 2025, and January 2026 collections declined 3.6% year over year despite an expanded tax base.
- Total expenditures increased less than $100K from 2024. All departments within budget authority. Mid-year retirement rate reduction helped hold benefits below budget.

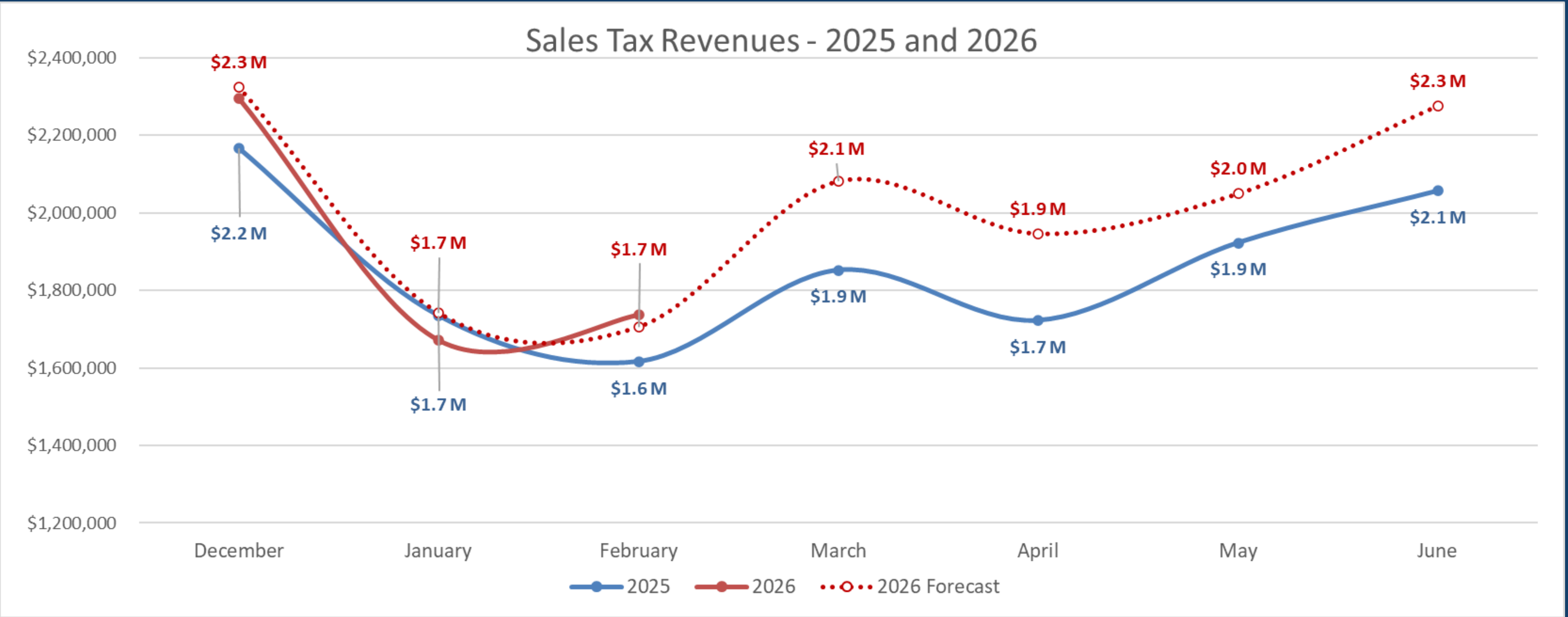
Revenue → **Fund Balance** → **Expenditures & Outlook**

General Fund Revenue Review

- **Full Year Revenue: $134.1M (101.3% of Amended Budget)**
  - Taxes: $66.4M (101.2% of budget). Property tax up 13.9% over 2024 from the 9.8% levy increase plus new construction
  - Intergovernmental: $31.8M (104.0% of budget), up 15.6% from 2024, largely from $2.7M in LATCF funds recognized in 2025
  - Miscellaneous: $14.8M (101.9% of budget), up 14.7% from 2024, driven by investment earnings and a property tax appeals settlement
- **Key Offset: Other Financing Sources Down $7.1M (51%)**
  - ARPA funding expired December 31, 2024, eliminating large interfund transfers that supported general government in prior years. These offsets do not return in 2026

Sales Tax

- Full year 2025 General Fund sales tax was $23.3M overall, with retail sales tax collections for 2025 $18K below 2024 collections. January 2026 collections distributed in March came in at $1.67M, a 3.6% decline year over year, while February came in 7.5% over last year so it will be interesting to see what comes next.



Expenditure Review

- **Total Expenditures: $132.1M (92.6% of Amended Budget)**
  - Spending increased less than 1% ($100K) compared to 2024, a notable result given ongoing cost pressures and a more fully staffed organization
  - Benefits came in below budget across most departments due to a mid-year reduction in employer retirement contribution rates effective July 1, 2025
  - All departments spent within their approved budget authority
- **Notable Variances**
  - Criminal justice costs continue to grow: Superior Court Clerk required $600K in mid-year supplemental appropriations for assigned counsel; General Fund contribution to jail operations reached $9.3M
  - ARPA expiration increased the net General Fund draw for Public Defender (~$1.56M) and Superior Court Clerk (~$1.0M) beyond what gross expenditure figures alone suggest

Looking Ahead: Structural Challenges

- **Sales Tax: The Central Concern for 2026**
  - 2026 Collections are forecasted higher but the first collection months are only posting a 1% increase.
  - The County is reviewing sales tax collections from 2006 to present to identify historical patterns across varying economic conditions
- **Structural Pressures Require Action**
  - Criminal justice costs continue to grow: public defense, jail health ($9.3M GF contribution), water rights adjudication
  - ARPA funding expired. One-time revenues from 2024-2025 will not recur. The federal and state funding environment is uncertain
  - Settled Labor Agreements, new mandates, and inflation have outpaced our ability to earn, pushing projections into structural imbalance in 2027 and 2028.

Fund Balance & Year-End Position

- **Estimated Ending Fund Balance: $33.7M**
  - Beginning balance was $31.1M; net change of $2.6M reflects LATCF and Opioid revenue recognition, partially offset by year-end adjustments
  - Figures are preliminary and unaudited. A final audited report will be issued by the SAO right after the May 11th Audit Exit conference
- **Other Funds Requiring Monitoring**
  - Jail Fund (1350): Stable but expenditures grew $3.0M; General Fund contribution to jail operations reached $9.3M
  - Emergency Management (1351): Fund balance at $753K after $268K draw for flood response; ongoing flood costs warrant monitoring
  - EMS Fund (1240): Net income declined from $1.8M in 2024 to $600K in 2025 due to irregular GEMT payment timing

Questions?