MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: CARL JOHNSON, JR. CFO

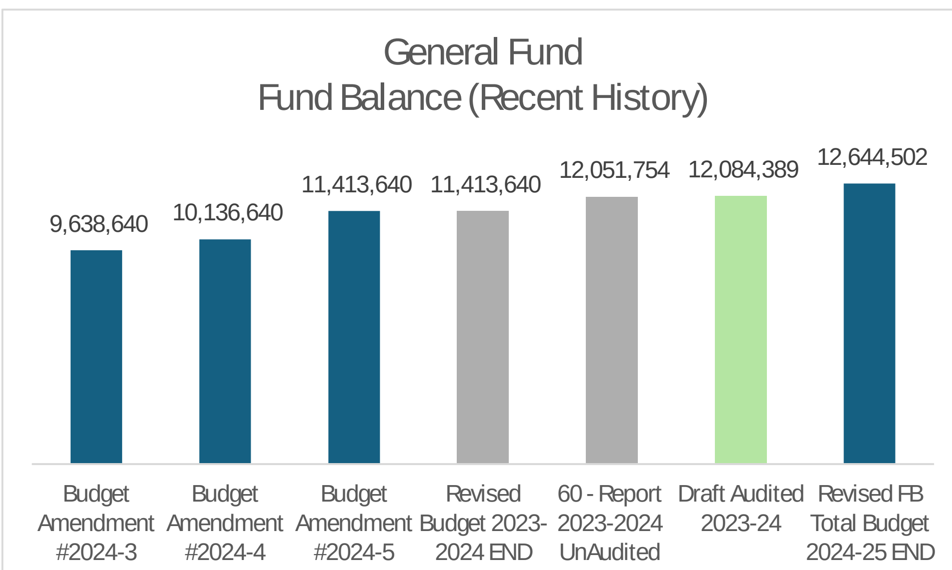
SUBJECT: FINANCIAL REPORT AS OF MARCH 31, 2025

DATE APRIL 30, 2025

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the third quarter ending March 31, 2025 (see attached report for budget-to-actual information prepared by budget category within each fund). The rollover and any other individual budget amendments approved through the April 21, 2025 council meeting are reflected in the attached report. Through the third quarter, generally, revenues and expenditures should represent approximately 75% of the budget.

General Fund

The original General Fund budgets reflects an increase to fund balance of $745,111. The budget was amended to use $185,000 of fund balance for the Long Term Strategic Plan and the City Council futurist.



Key highlights for the year to date are stated below.

Revenues

Total General Fund revenues for the third quarter are 89% of the General Fund amended revenue budget. The General Fund revenues are on track through the third quarter with the following items of note:

- **Property Tax Revenue** – Property taxes account for approximately 68% of total General Fund revenue. Revenue is recorded in July at the time property taxes are billed.

- **Licenses, Permits, and Charges for Services** –Cable franchise revenues lag by a month with only the first and second quarters being received. The third quarter cable franchise will be received in May and the fourth quarter in August 2025.

- **State Sources** – The third quarter reflects the October, December, and February distributions as anticipated (August 2024 included in fiscal year 2024 as required). Only three of six payments for the fiscal year have been received in the current fiscal year.

- **Fines and Forfeitures** – Court Fees and Fines revenue (ticket revenue) is received from the 52nd District Court monthly for the prior month. The attached report reflects eight payments received through the third quarter as expected: July through February. Revenues continue to lag both budget and prior year.

- **Interest Income (including investment gain/loss)** – Interest income citywide is running ahead of budgeted amounts through the third quarter with overall income more than 131% of budgeted amounts (current year original budget represents only one-third of prior years' actual to reflect only realized interest), The actual interest earnings remain high as unrealized prior years losses reverse and become realized gains. The Fed has decreased the actual and projected number of interest rate reductions going forward which will continue to keep actual returns favorable. Based on the current interest rate environment, finance anticipates additional favorable results over the remining quarter of the fiscal year citywide with final balances being slightly less prior years actual.

Expenditures
Total General Fund expenditures for the third quarter are 75% of the $43,238,982 General Fund amended expenditure budget. While a few departments exceed 75% to date due to capital purchases or annual payments, expenditures in total have not exceeded the 75% mark and are in line through the third quarter with the following items of note:

- Personnel Services in a couple departments may be higher than 75% through the quarter due to the timing of one-time retirement/separation payouts, annual longevity payments, and annual payouts of PTO time.

- The Parks Maintenance department is 77% of total department expenditure budget to actual. The timing of grounds maintenance and landscaping expenditure lines and capital purchases account for the slightly greater than 75% budget to actual results to date.

- The City Attorney, Insurance, & Claims department is at 85% due to the annual property and liability insurance being paid during the first quarter.

- The Fire Department is at 84% of the total department expenditure budget to actual due to the grant funded purchase of new uniforms for all full-time firefighters, higher than anticipated vehicle maintenance costs and part-time and auxiliary recruitment/trainings costs.

Special Revenue Funds

The various special revenue funds' revenues and expenditures are in-line with budget through the third quarter ending March 31, 2025. Items of note are included within certain Special Revenue Funds on the following pages:

Major, Local, & Municipal Street Funds

Property Tax Revenue is at the 100% mark in the Municipal Street Fund due to the recording of property tax revenue as of July 1st, at the time the tax bills are issued. Also, chargebacks from the County are lower than anticipated.

As expected, the Act 51 revenue recorded in the Major and Local Street funds represent eight months of revenue through the third quarter since there is a two-month lag in receiving the payments from the State. The budget anticipates $8.6 million of Act 51 revenue and is on track for the fiscal year.

Expenditures are on track for the fiscal year and are currently under budget. Construction will pick up in the spring/summer.

Parks, Recreation, & Cultural Services Fund

Program revenue is 58% actual compared to budget due to the seasonal nature of the parks program. Adult softball, youth soccer, tennis, and summer camps revenues are larger programs in which revenues are received in the fourth quarter of the fiscal year. Expenditures are projected to end in line with current budgeted amounts.

Forfeiture Fund

The fines and forfeiture revenue totals approximately $118,000 or 21% of budget through the third quarter. The fund will continue to be amended based on activity since we do not know when anticipated forfeiture funds will be released by the courts to the city.

Capital Project Funds

The Capital Project Funds revenues and expenditures are in line with expectations through the third quarter of fiscal year 2025.

Enterprise Funds

The enterprise funds' revenues and expenditures are anticipated to be in line with budget. All enterprise funds will continue to be monitored and amended as needed. The Water and Sewer Fund has significant capital expenditures that were rolled over from fiscal year 23/24 and will resume in the spring along with the new 24/25 projects. An adopted budget is not required, per the State Budget Act, for enterprise funds and the information is primarily presented for informational purposes only. There are no other significant items to highlight at this time.

Internal Service Fund

Self-Insurance Healthcare Fund

This Fund was created in January 2020 to track the costs associated with the HAP healthcare program (as of 1/1/25 also includes former Priority Health Plan as well). The City is required to pay all claims and gets reimbursed for claims by case over $125,000. An adopted budget is not required, per the State Budget Act, for internal service funds and the information is primarily presented for informational purposes only. There are no other significant items to highlight at this time.

Fiduciary Fund

Retiree Healthcare Benefits Fund

The third quarter investment results remained strong with the overall return for the fund for the calendar year 2024 being more than 8%. Year-to-date healthcare costs are running higher than expected due to actual costs compared to the expected costs. The internal service fund is responsible for paying the actual cost of health care versus a monthly premium to a third party. The fund charges health care costs to the various funds based on annually adjusted illustrative rates. An adopted budget is not required for the Retiree Healthcare Benefits Fund, per the State Budget Act since it is a fiduciary fund.