MEMORANDUM

Mayor and Council –

Please see the latest budget-to-actual report. You may notice a formatting change with the following report. Instead of reformatting a report, our Finance Consultant suggested we use the format the system produces to maximize staff time and effort.

- Victor

TO: VICTOR CARDENAS, CITY MANAGER

FROM: KAREN LANCASTER, INTERIM FINANC

SUBJECT: FINANCIAL REPORT AS OF MARCH 3

DATE: APRIL 30, 2026

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the third quarter ending March 31, 2026 (see attached report for budget-to-actual information prepared by budget category within each fund). Through the third quarter, generally, revenues and expenditures should represent approximately 75% of the budget.

General Fund

The original and amended General Fund budgets (inclusive of the (2nd Quarter budget amendments) reflect an increase to fund balance of $255,473.

Key highlights for the first three quarters of the fiscal year are stated below.

Revenues

Total General Fund revenues for the third quarter are $40,656,835, representing 87% of the $46,888,434 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 67% of total General Fund revenue budget. Revenue is recorded in July at the time property taxes are billed. The remaining penalty and interest collections will be received in the fourth quarter, which is the reason revenue is approximately $123K less than budget.

- **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 2026. In addition, most permit and review fees are performing slightly less than expected through the three quarters of the year.

- **State Sources** – State revenue sharing is at 50% for the year with three of six payments having been received so far. The remaining three payments should keep us on track with the budgeted amount

- **Fines and Forfeitures** – Court Fees and Fines revenue is at 85% (ticket revenue) and 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.

- **Interest Income (including investment gain/loss)** – Interest in investments in the General Fund is on target at 76% of budget

Expenditures
Total General Fund expenditures through the third quarter are $33,590,439 representing 72% of the $46,632,961 General Fund amended expenditure budget. While a few departments exceed 75% to date due to front-loaded 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:

- The City Manager department is 77% of total department expenditure budget to actual. With other services and charges at 101% of the budget due to an additional membership payment, along with the timing of conferences and workshops.
- The City Attorney, Insurance, & Claims department is 85% due to the annual property and liability insurance being paid during the first quarter.
- 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.
- Historical Commission is over their entire budget at 111% and will need a budget amendment in the fourth quarter.

<u>Special Revenue Funds</u>

The various special revenue funds' revenues and expenditures are in-line with budget through the third quarter ending March 31, 2026. 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.

As expected, the Act 51 revenue recorded in the Major and Local Street funds represents seven months of revenue through the third quarter since there is a two-month lag in receiving the payments from the State. The budget anticipates $8.8 million of Act 51 revenue and is on track for the first three quarters of the fiscal year.

Expenditures on track for the first three quarters of the year. Construction will pick up over the next couple of months.

Parks, Recreation, & Cultural Services Fund
Program revenue is 86% actual compared to budget due in part to property tax revenue being fully received. Program revenue appears slightly behind, but this is due to programs such as adult softball, youth soccer, tennis, and summer camps that receive revenue in the spring. Expenditures are on trend, at 68%.

Forfeiture Fund
The fines and forfeiture revenue totals approximately $85,000 through the third quarter. The fund will continue to be amended based on activity since we do not know when forfeiture funds will be released by the courts to the city.

Library Fund
Revenues are 96% with property tax revenue at 102%. Expenditures are at 69%.

Capital Project Funds

Fund 401, CIP Fund, is in line with expectations for the third quarter of fiscal year 2026.

Fund 445, Public Improvement Fund, is in line with expectations for the third quarter of fiscal year 2026.

Fund 464, Public Safety Building Fund, includes budget amendments for the public safety building, Fire Station #2, and Fire Station #3 in the amount of $1,600,000. with offsetting revenue coming from proceeds from long term debt.

Enterprise Funds

Ice Arena Fund
This fund is performing favorably compared to budget with revenues at 101% of the annual budget. The expenditure is at 63% reflecting controlled spending. There are certain costs such as building maintenance, data processing, and concession cost of goods that are trending over budget; however these variances are offset by high revenues, no capital outlay spending, and expenditure savings.

Senior Housing Fund
Through this third quarter, the Senior Housing Fund is performing in line with the annual budget with revenues of 75%. However, the expenditure exceeds 94%. The key areas to note are other services and charges that include legal fees, memberships & dues, and contractual services. Currently the fund is reporting a deficit, but staff will monitor spending and evaluate cost drivers to mitigate future variances. This fund will need an amendment in the 4th Quarter.

Water and Sewer Fund The Water and Sewer Fund has significant capital expenditures that were rolled over from fiscal year 24/25 and will resume in the spring along with the new 25/26 projects.

Internal Service Fund

Self-Insurance Healthcare Fund
This Fund was created in January 2020 to track the costs associated with the HAP healthcare program. The City is required to pay all claims and gets reimbursed for claims by case over $150,000. 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.

<u>**Fiduciary Fund**</u>

Retiree Healthcare Benefits Fund

Through the third quarter interest income is at 79%. Through the first quarters of the fiscal year, expenses remain slightly greater than budget at 83%. An adopted budget is not required for the Retiree Healthcare Benefits Fund, per the State Budget Act since it is a fiduciary fund. The fund is primarily presented for informational purposes only. This fund invests all available resources in instruments similar to the pension funds which include stocks, bonds and other long-term financial investments.