MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: CARL JOHNSON, JR. CFO

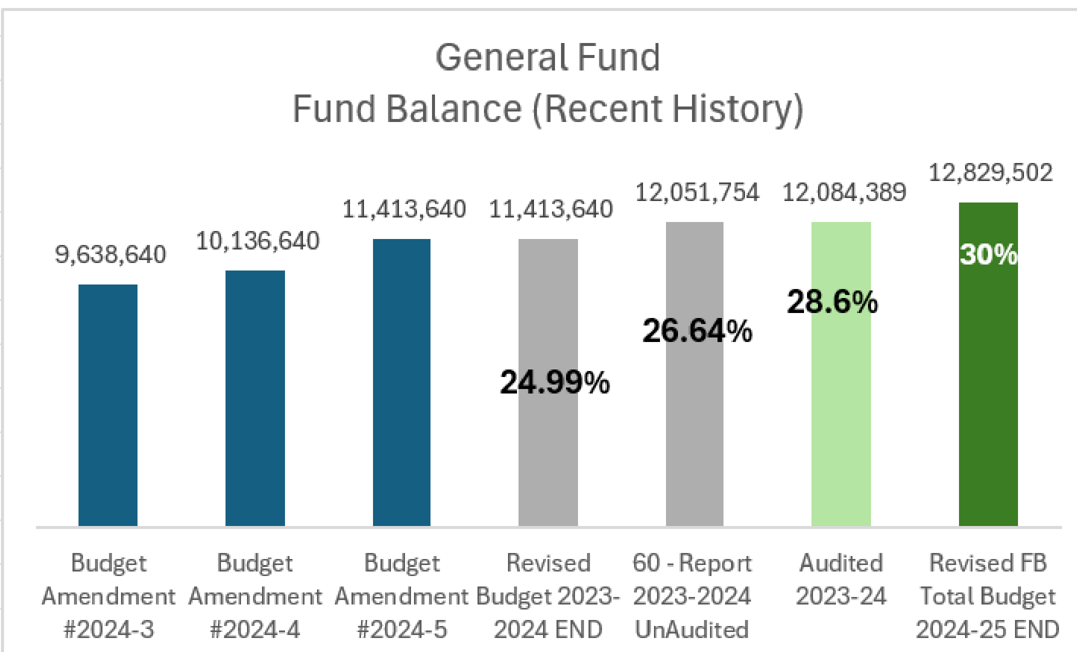
SUBJECT: FINANCIAL REPORT AS OF DECEMBER 31, 2024

DATE: JANUARY 31, 2025

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the second quarter ending December 31, 2024 (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 January 27, 2025 council meeting are reflected in the attached report. Through the second quarter, generally, revenues and expenditures should represent approximately 50% of the budget.

General Fund

As reported previously, the General Fund is still tracking to end with a 30% fund balance.



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

Revenues
Total General Fund revenues for the second quarter are $36,213,350, representing 83% of the $43,799,093 General Fund amended revenue budget. The General Fund revenues are on track through the second 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. Most of the penalty and interest collections are received in the third and fourth quarters, which is the reason revenue is approximately $73,000 less than budget.

- **Licenses, Permits, and Charges for Services** –Cable franchise revenues lag by a month with only the first quarter being received in October/November. The second quarter cable franchise will be received in January and February. In addition, engineering review fees, plan and landscape review fees and plumbing permits are doing better than expected through the first half of the year.

- **State Sources** – The second quarter reflects the October and December distributions as anticipated (August 2024 included in fiscal year 2024 as required). Only two 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 five payments received through the second quarter as expected: July through November. 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 second quarter with overall income significantly more than 50% of budgeted amounts, The actual realized interest earnings for the past six months remain high levels over the past quarter as the Fed has decreased the actual and projected number of interest rate reductions. The slowing of interest rate deductions by the Fed has also resulted in the recovery of some of the unrealized losses incurred over the past years. Based on the current interest rate environment, finance anticipates additional favorable results over the remining two quarters of the fiscal year citywide.

Expenditures
Total General Fund expenditures for the second quarter are $21,903,542 representing 51% of the $43,053,982 General Fund amended expenditure budget. While a few departments exceed 50% to date due to capital purchases or annual payments, expenditures in total have not exceeded the 50% mark and are in line through the second quarter with the following items of note:

- Personnel Services may be higher than 50% through December 2024 due to the timing of one-time retirement/separation payouts, annual longevity payments, and annual payouts of PTO time.

- The City Clerk's Department is at 58%. Election-related expenditures due to the presidential election and new unfunded state mandates (including supplies, other services and charges, and personnel services) has moved the budget above 50% of departmental expenditures.

- Internal Services Technology is at 52% due to the timing of one-time technology purchases and the payment for Microsoft office licensing.

- Parks Manintentance's department is 58% of total department expenditure budget to actual. The timing of grounds maintenance and landscaping expenditure lines account for the slightly greater than 50% budget to actual results to date.

- The City Attorney, Insurance, & Claims department is at 72% due to the annual property and liability insurance being paid during the first quarter.

- The Fire Department is at 55% of the total department expenditure budget to actual due to the grant funded purchase of new uniforms for all full-time firefighters.

Special Revenue Funds

The various special revenue funds' revenues and expenditures are in-line with budget through the second quarter ending December 31, 2024. 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 four months of revenue through the second 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 first half of the fiscal year.

Expenditures on track for the first half of the year. Winter maintenance will pick up over the next couple months and construction will pick up in the spring/summer.

Parks, Recreation, & Cultural Services Fund

Program revenue is 34% 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 second half of the fiscal year. Expenditures are on trend.

Forfeiture Fund
The fines and forfeiture revenue totals approximately $113,000 through the second 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.

Capital Project Funds

The Capital Project Funds revenue and expenditures are in line with expectations through the second 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. 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 second quarter investment results remained strong with the overall return for the fund for the calendar year 2024 was more than 8%. Through the first half of the fiscal year, healthcare costs remain slightly less than the budget. 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.