MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: MARIA FARRIS, FINANCE DIRECTOR

SUBJECT: FINANCIAL REPORT AS OF JUNE 30, 2026

DATE: AUGUST 4, 2026

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the fourth quarter ending June 30, 2026 (see attached report for budget-to-actual information prepared by budget category within each fund). Through the fourth quarter, generally, revenues and expenditures should represent approximately 100% of the budget.

General Fund

The original and amended General Fund budgets show an increase in revenues over expenditures. Overall, the General Fund finished fiscal year 2025-2026 in adding $167,173 in an *estimated* increase of fund balance.

Key highlights for the fourth quarter of the fiscal year are stated below.

Revenues

Total General Fund revenues for the fourth quarter are $46,109,288 representing 98% of the $47,013,434 General Fund amended revenue budget. The General Fund revenues primarily stayed on track throughout the fourth quarter with the following items of note:

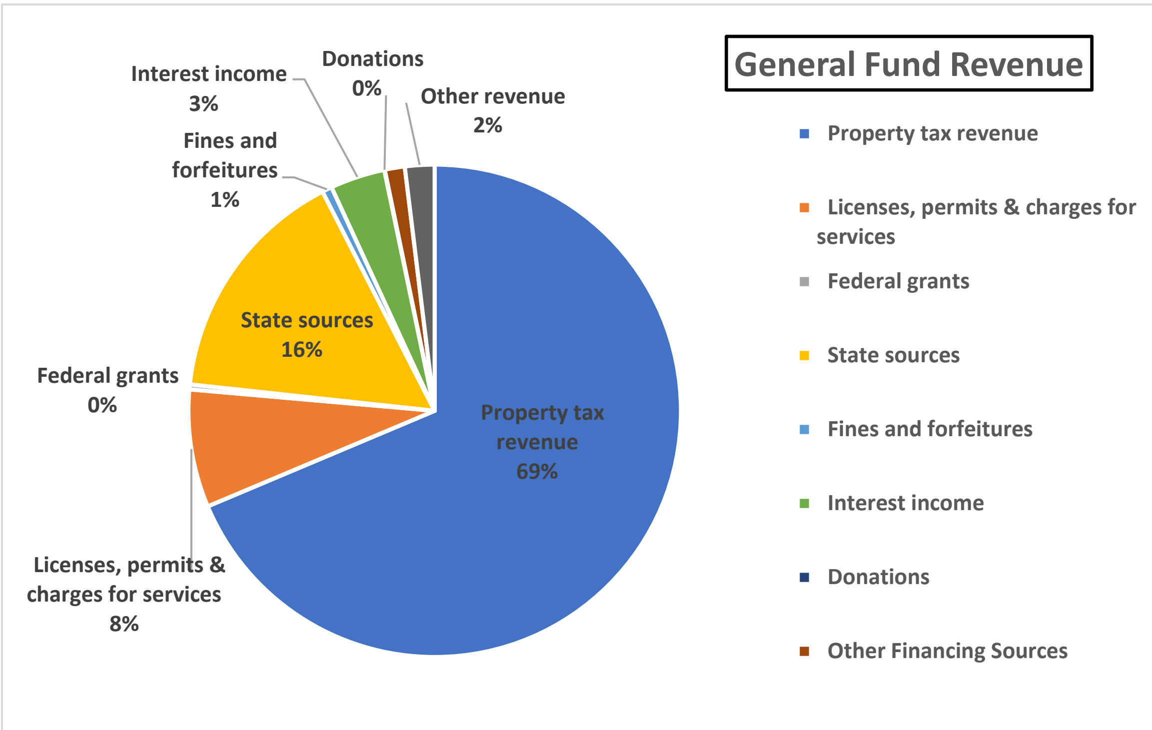
- **Property Tax Revenue** – Property taxes account for approximately 69% of total General Fund revenue budget. Revenue is recorded in July at the time property taxes are billed. The remaining penalty and interest collections will be received in the fourth quarter, which is the reason revenue is approximately $188K less than budget.

- **Licenses, Permits, and Charges for Services** – Cable franchise revenues lag by a month with the first three quarters being received. The fourth quarter cable franchise will be received 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 *estimated* 100% for the year with 5 of six payments having been received so far. The remaining payment has been accrued to keep us on track with the budgeted amount.

- **Fines and Forfeitures** – Court Fees and Fines revenue is at 118% (ticket revenue) and is received from the 52nd District Court monthly for the prior month. The attached report reflects 11 payments received through the third quarter as expected: July through May with an *estimated* payment for June 2026.

- **Interest Income (including investment gain/loss)** – Interest in investments in the General Fund is on target at 94% of budget



Expenditures

Total General Fund expenditures for the fourth quarter are $45,942,115 representing 98% of the $46,909,483 General Fund amended expenditure budget. While a few departments exceeded 99% to date due to front-loaded annual payments, expenditures in total have not exceeded the100 % mark and are in line through the fourth quarter with the following items of note:

- The City Attorney, Insurance, & Claims department is 100% due to the annual property and liability insurance being paid during the first quarter.
- Personnel Services in a couple departments may be higher than 80% 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 at budget at 44% budget used in the fourth quarter.

Special Revenue Funds

The various special revenue funds' revenues and expenditures are in-line with budget through the fourth quarter ending June 30, 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 11 months of revenue and one month accrued through the fourth quarter since there is a lag in receiving 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 four quarters of the year. Construction will pick up over the next couple of months.

Parks, Recreation, & Cultural Services Fund

Property tax collections, program revenues, older adult services, and investment earnings exceeded budget expectations. and capital improvements.

Forfeiture Fund

The fines and forfeiture revenue totals approximately $130,000 throughout the fourth 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 holding steady at 96% with property tax revenue at 100%. Expenditures are at 98%.

Capital Project Funds

Fund 246, CIA Fund, is in line with expectations for the third and fourth quarters of fiscal year 2026. The 264 Fund is currently in deficit due to internal borrowing to other funds. A deficit elimination plan is submitted to treasury annually detailing the steps to reduce the deficit.

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

Fund 464, Public Safety Building Construction Fund, includes budget amendments for the public safety building, Fire Station #2, and Fire Station #3 in the amount of $35,061,739. 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 136% of the annual budget. The expenditure is at 92%, 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, minimal capital outlay spending, and expenditure savings.

Senior Housing Fund

The Senior Housing Fund continued to operate near budget throughout the fiscal year. However, the expenditures ended at 111%. The key areas to note are other services and charges that include legal fees, advertising, and contractual services.

Water and Sewer Fund

The Water and Sewer Fund has significant capital expenditures that were rolled over from fiscal year 25/26 and will resume in the spring along with the new 26/27 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 is 14.36 % predicted increase to healthcare since the last renewal meeting. The city is working with our healthcare representatives to look for savings for the upcoming renewal.

Fiduciary Fund

Retiree Healthcare Benefits Fund

The fourth quarter interest income is at 136%. 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 like the pension funds which include stocks, bonds, and other long-term financial investments.