MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: KAREN LANCASTER, INTERIM FINANCE DIRECTOR

SUBJECT: FINANCIAL REPORT AS OF DECEMBER 31, 2025

DATE: JANUARY 26, 2026

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the second quarter ending December 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 prior to the January 26, 2026 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

The original and amended General Fund budgets (inclusive of the 1st Quarter budget amendments) reflect an increase to fund balance of $443,986.

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

Revenues

Total General Fund revenues for the second quarter are $37,054,651, representing 82% of the $46,679,616 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 budget. 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 $308K less than budget.

- **Licenses, Permits, and Charges for Services** –Cable franchise revenues lag by a quarter with only the first quarter being received in October/November. The second quarter cable franchise will be received in January and February. In addition, most permit and review fees are performing slightly less than expected through the first half of the year.

- **State Sources** – State revenue sharing is at 34% for the year with two of six payments made. Budget amendments for the second quarter include $208,818 in additional revenue for new State-shared revenue for Qualified Heavy Equipment Rental Personal Property and Small Business Taxpayer Exemptions revenues.

- **Fines and Forfeitures** – Court Fees and Fines revenue is at 54% (ticket revenue) and 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.

- **Interest Income (including investment gain/loss)** – Interest in investments in the General Fund is at 28% of budget, while interest on Trust & Agency Funds is at 81%.

Expenditures

Total General Fund expenditures through the second quarter are $22,900,797 representing 50% of the $46,235,630 General Fund amended expenditure budget. While a few departments exceed 50% to date due to front-loaded 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:

- The Assessing Department is currently at 58% with Legal fees and tax tribunal appraisals running over the budgeted amounts. Amendments are included for these accounts.
- The City Attorney, Insurance, & Claims department is at 76% due to the annual property and liability insurance being paid during the first quarter.

Special Revenue Funds

The various special revenue funds' revenues and expenditures are in-line with budget through the second quarter ending December 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.

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 $8.8 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 67% actual compared to budget due in part to property tax revenue being fully received. Program revenue appears behind, but this is due to programs such as adult softball, youth soccer, tennis, and summer camps that receive revenue in the second half of the fiscal year. Expenditures are on trend, at 49%.

Forfeiture Fund
The fines and forfeiture revenue totals approximately $84,000 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.

Library Fund
Revenues are 100% with property tax revenue at 102%. Expenditures are at 45%.

Capital Project Funds

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

Fund 445, Public Improvement Fund, includes budget amendments reducing capital outlay on fleet assets by $397,933 for amounts duplicated in the first quarter.

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 $1,675,000. with offsetting revenue coming from proceeds from long term debt.

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 24/25 and will resume in the spring along with the new 25/26 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
Through the second quarter interest income is at 59%. Through the first half of the fiscal year, expenses remain slightly greater than budget at 54%. 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.