



## AGENDA ITEM ANALYSIS

Project/Issue Name: 25-29 An Ordinance of the City Council Approving Budget Amendment No. 1 to the Budget for the Fiscal Year 2025.

Submitted By: Bob Ford, Chief Financial Officer

Date: August 26, 2025

### Issue Statement

To amend the FY 2025 Operating & Capital Budgets to better reflect revenues, expenses/expenditures & net cash contribution for fiscal year 2025.

### Discussion and/or Analysis

On November 5, 2024, City Council approved the Annual Budget for the fiscal year 2025 as part of Ordinance No. 24-64. Given the current revenue, operating expense and capital expenditure trends, the City of Republic has updated its financial forecast, which reflects a \$1.130 million improvement in the consolidated net surplus.

1. The FY 2025 Budget is attached as Exhibit A, which outlines the approved Operating and Capital Budgets for FY 2025, as well as the proposed changes to both the Operating and Capital Budgets, hereafter referred to as the FY 2025 Amended Budget.
2. Exhibit B spreads the Operating and Capital Budgets and the proposed Amended Operating and Capital Budgets by Fund.
3. Exhibit C further breaks out the details of the proposed line-item changes that make up the Amended Operating and Capital Budgets.
4. Note – the Exhibits can be found in the attached Excel document.

### Budget & Restated Budget

Before discussing the changes encompassed in the proposed Amended Budget, let me explain an interim transition step from “Budget” to “Restated Budget”. In summary, both versions reflect the Approved Budget in that there is no change to the consolidated financial results, just a few selected items are reclassified from the Operating to Capital Budget.

- The column entitled “Budget” reflects the Operating and Capital Budgets approved on November 4, 2024, yielding a consolidating net surplus of \$4.521 million.
- The next column to the right entitled “Restated Amount” is merely moving selected budgeted items from the Operating Budget to the Capital Budget. Those selected items were initially incorrectly classified. Please note – this does NOT impact the consolidated net surplus of \$4.521 but how that surplus is allocated between the Operating and Capital Budgets. The specific budgeted items are:
  - Parks Capital Improvement Sales Tax:
    - Parks CIST is restricted to funding Parks’ capital projects and/or the debt service on amounts borrowed to fund capital projects but may not be used to fund operations.
    - Given that, we have moved \$1.071 million from operating revenue to Capital Budget - Sources.
    - Associated with that adjustment, the related \$636.7K in debt service on the amounts borrowed to fund capital projects was also moved to the Capital Budget – Uses.
  - Fire Sales Tax:

- Like Parks CIST, the Fire Fund’s Fire Sales Tax is also restricted to funding the Fire Fund’s capital projects and/or debt service on amounts borrowed to fund capital projects.
- Given that, we have moved \$535.5K from operating revenue to Capital Budget - Sources.
- Associated with that adjustment, the \$30K in interest revenue earned on the Fire Sales Tax residual cash was also moved to the Capital Budget – Sources.
- Today, the Fire Sale Tax residual cash has been building over time to fund the upcoming purchase of the ladder truck for approximately \$2.0 million. Balances to fund purchase include:
  - Fire Sales Tax Residual Cash of \$1.643 million, plus
  - Fire Fund assigned Capital Account of \$695K.

### **Amended Budget**

The proposed Amended Operating Budget shows significant improvement due to improved operating results driven by the following:

- Increased revenue & decreased expenses:
  - \$562.5K Water Fund revenue improvement due to increased rates.
  - \$503.1K Wastewater Fund revenue improvement due to increased rates.
  - \$210K increased interest Income due to slower spend rate (keeping cash longer)
  - \$443.2 savings in personnel expenses due to job vacancies.
- Offset by:
  - **(\$227.8K)** decrease in Parks revenue due to early summer inclement weather impacts on visits and the loss of rental revenue due to cancellation of Northpoint Church’s rental agreement.
  - **(\$222.5K)** in increase outsourced legal expenses (which offsets personnel savings to legal because of job vacancy.
  - **(\$138.5K)** in increased selected operating expenses (See Exhibit C for detail).

The Amended Capital Budget shows a net increase of \$2.131 million in CapEx, primarily due to the new Administration Building and the expected completion of the JR Martin Park Upgrade Project.

- \$\$2.0 million for construction, IT infrastructure and furniture for the New Admin Building funded with General Fund cash – (Structure & IT CapEx increases already approved by Council in separate resolutions).
- \$1.0 million in increased CapEx for Parks to complete the JR Martin Park Upgrade Project, funded with debt, excess Parks CIST and/or grants.

<b>Amended Budget Summary</b>			
	<b>Restated Budget</b>	<b>Changes</b>	<b>Amended Budget</b>
<b>Operating Budget</b>			
Operating Revenues	\$34,479,565	\$1,047,830	\$35,527,395
Operating Expenses	(\$30,984,659)	\$82,169	(\$30,902,489)
<b>Operating Earnings</b>	<b>\$3,494,906</b>	<b>\$1,129,999</b>	<b>\$4,624,906</b>
<b>Capital Budget</b>			
Capital Expenditures   Uses	(\$55,101,492)	(\$2,131,245)	(\$57,232,737)
Funding   Sources	\$56,127,123	\$2,131,245	\$58,258,368
<b>Capital Budget</b>	<b>\$1,025,630</b>	<b>\$0</b>	<b>\$1,025,630</b>
<b>Consolidated Net Surplus (Deficit)</b>	<b>\$4,520,537</b>	<b>\$1,129,999</b>	<b>\$5,650,536</b>

**Recommended Action**

In summary, the proposed Amended Budget shows:

- Operating Budget – a \$1.130 improvement in Operating Earnings.
- Capital Budget – a \$2.131 million increase in CapEx due to:
  - \$2.0 million change to new Administration Building costs (building structure and IT infrastructure changes have already been approved by City Council in prior resolutions.)
  - \$1.0 million of additional investment in the JR Martin Park Project (funding has already been approved).
  - Cash on the balance sheet will be used to fund the CapEx on the new Administration Building. The incremental CapEx on the JR Martin Park Project will be funded with a combination of grants/cash/debt. Council has already approved \$1 million in incremental debt in a separate resolution.
- Staff recommends approval.