



AGENDA ITEM ANALYSIS

Project/Issue Name: 26-17 An Ordinance of the City Council Approving Budget Amendment No. 1 to the Budget for the Fiscal Year 2026.

Submitted By: Bob Ford, Chief Financial Officer

Date: May 5, 2026

Issue Statement

To amend the FY 2026 Operating & Capital Budgets to better reflect revenues, expenses/expenditures & net cash contribution for fiscal year 2026.

Discussion and/or Analysis

On November 4, 2025, City Council approved the FY 2026 Annual Budget as part of Ordinance No. 25-33, which included both the Operating Budget and Capital Budget for the City of Republic. These two Budgets collectively are referred to as the "Budget," whose results can be broken out as follows.

- Operating Budget with revenues of \$40,653,838, expenses of \$34,229,869 resulting in an Operating Earnings of \$6,423,959.
- Capital Budget with Uses of \$50,026,705, funded with Sources of \$50,717,714, resulting in a Capital Surplus of \$691,009.
- The combination of the Operating and Capital Budgets results in a Consolidated Net Surplus of \$7,114,978.

Since this adoption of the Budget last November, additional data has become known, and the proposed Amended Budget for FY 2026 (Budget Amendment 1) identifies the following changes to the Budget adopted then.

Operating Budget

- **Revenues are projected to be effectively flat, driven entirely by one-time real estate sales that offset the reduction in Water Fund revenue.**
 - \$1.99 million decrease due to holding water rates steady at 2025 levels.
 - Offset by \$1.95 million in extraordinary real estate sale revenue.
- **Expenses are projected to be better by \$565K.**
 - Personnel expense increase - \$645K increase in personnel costs due to filling new positions, including.
 - In-house attorney.
 - Paralegal.
 - Communications Coordinator.
 - HR Benefit Specialist.
 - Plus, the integration of the most recent Wage Analysis into the proposed Amended Budget, which impacted thirty-three employees for a total of \$160K increase annually.
 - Operating expense decrease -Personnel costs are offset by a \$1.2 million decrease in operating expenses, specifically a reduction in outside legal & consulting expense and a \$1.0 million elimination of 3rd Party WWTP Operator expense.

Capital Budget

City of Republic's proposed Amended Capital Budget for FY 2026 reflects a \$6.0 million reduction in capital expenditures, driven primarily by:

- Net reduction in Wastewater Fund CapEx of \$4.9 million
 - \$6.5 million reduction in the WWTP Expansion Project due to timing – expenditures originally budgeted in 2026 were actually spent in FY 2025. Hence, the need for FY 2025 Budget Amendment 2 adopted by



City Council in March 2026, which increased expenditures for FY 2025, leaving this corresponding reduction for FY 2026.

- \$1.6 million increase for an unbudgeted portion of the WWTP Project, the demolition of the old plant.
- A \$1.4 million reduction Water Fund CapEx due to project execution timing to better realign with cash available (due to reduction in Water Fund revenue) and elimination of redundant SCADA expenditure (double budgeted).

Summary

This proposed modification to the FY 2026 Budget will result in:

- An Operating Budget with revenues of \$38,663,755, expenses of \$33,664,830, resulting in an Operating Earnings of \$4,998,926. However, including one-time real estate sale revenue of \$1,950,800 results in an Operating Surplus of \$6,949,726. (See attached Exhibit A)
- A Capital Budget with Uses of \$43,950,598, funded with Sources of \$42,544,258, resulting in a Capital Deficit of **(\$1,406,340)**. (See attached Exhibit B)
- When combining the Operating Surplus of \$6,949,726 with the Capital Deficit of **(\$1,406,340)**, it results in a Consolidated Net Surplus of \$5,543,386.

Recommended Action

Staff recommends approval.