



STAFF REPORT

TO: CITY COUNCIL
MEETING DATE: APRIL 6, 2026
FROM: MASON PETERS, FINANCE SUPERVISOR
SUBJECT: MID YEAR EXPENSES REVIEW & BUDGET AMENDMENTS

RECOMMENDATION:

Motion to accept the mid-year review report and approve the budget amendments

BACKGROUND:

Each year, the Finance Supervisor and the City Manager bring a mid-year fiscal “check-in” report to provide more focused discussion on how budget performance is looking for the year so far. If we identify any areas that are not performing to our expectations or we have received additional information about certain revenues/expenditures that differ from information that we had when we adopted the original draft budget, we will discuss those areas and make budget adjustments that better reflect how we think the rest of the fiscal year will progress.

In February, we reviewed and discussed the revenue performance of the “Big Three” categories of Property Tax, TOT, and Sales Tax (including TUT as a separate discussion). Staff chose to split revenue and expense discussions so we can have more meaningful, targeted discussions about each major category of the budget, how it is performing, and if any action needs to be taken to ensure that we are operating within our means for fiscal year 2025-2026.

DISCUSSION:

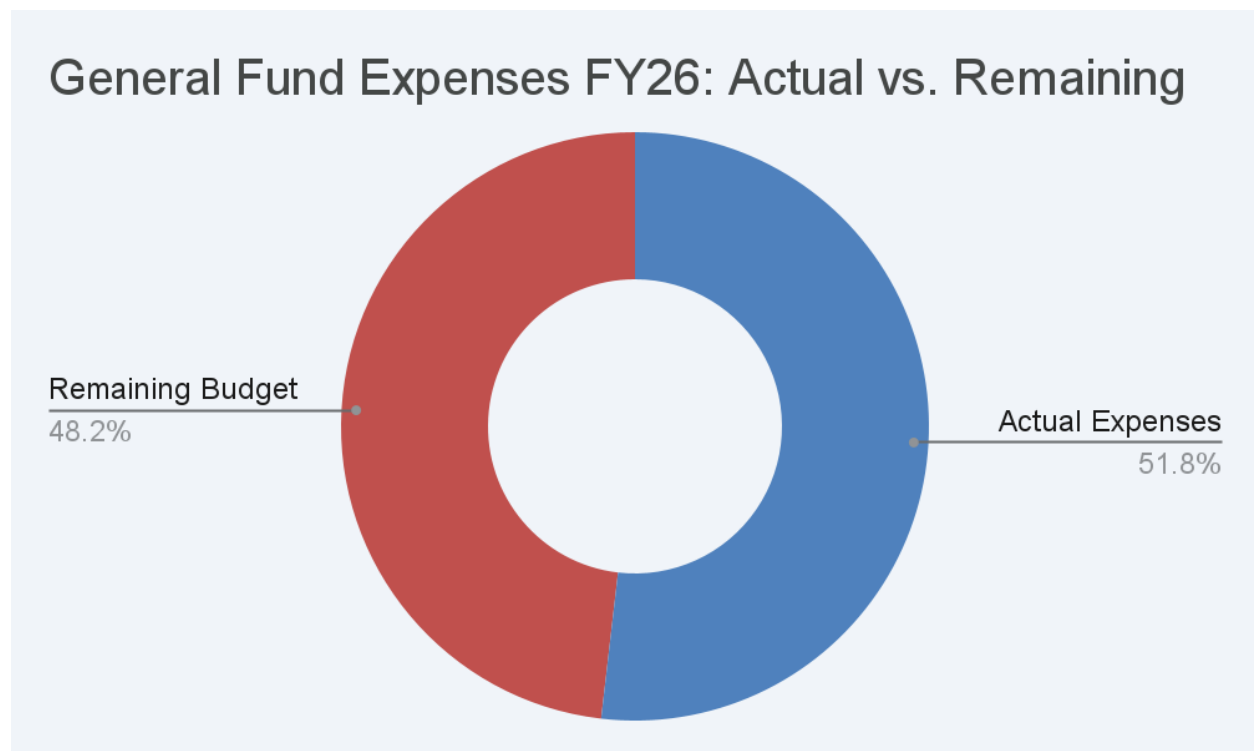
The purpose of this staff report is to review the expense performance through December 31, 2025 of each major operating fund: General Fund (Fund 001), Streets & Roads Fund (Fund 003), Wastewater Enterprise Fund (010), and Effluent Disposal Fund (080). If any particular fund(s) or account(s) within those fund(s) are underperforming, or if less spending occurs in one account and more in another due to shifting priorities during the year, we will propose Budget Amendments to shift budgeted funds from one account to another.

General Fund

The City's General Fund (001) is the primary source of funds for general city operations outside of special revenue funds (e.g. Enterprise/Wastewater funds). It is funded by general tax revenues such as Sales Tax and Property Tax, and we use those funds to pay for city staff, council stipends, Parks & Recreation operations, Police operations, and much more.

Each fiscal year, our General Fund is stretched to cover all of our annual expenditures that allow us to serve our citizens to the best of our ability. Revenue growth opportunities are limited. Many expenditures grow at a faster rate than revenues, and we struggle to maintain our current levels of service.. We are always looking for efficiencies and ways to improve processes to provide as much representation and quality service with the limited resources we have available.

On an overall fund basis, here is the breakdown:



On a monthly average basis, we are 1.8% overspent in the General Fund as of December 31, 2025. 1.8% of the total General Fund budget (\$2,807,096) is \$50,528. However, we are on budget because there are a few expense items that are large, one-time expenses.

For example, we opt to prepay our CalPERS UAL(to save interest costs); we budgeted \$303,211 for the fiscal year, and spent \$302,744 as of July 31, 2025 for our annual UAL payment. If we paid this monthly instead of annually, we would have only spent \$151,606 as of December 31, 2026. Based on this, in terms of actual expenditures against budgeted expenses, we paid the other \$151,605 in advance which makes our annual actuals vs annual budget appear to be overspent at this point in time. Keep in mind that UAL is not the only major one-time expense we have in the fiscal year - we also pay a significant portion of our

Liability and Property Insurance premiums to CSJVRMA in August each year. We are in fact, on track if not slightly positive for the fiscal year in terms of the General Fund.

We monitor expenses on a granular level, and some of those accounts may exceed their budgeted portion due to unexpected factors, such as sudden price increases (e.g. fuel costs) or increased activity in one category that we had originally not planned for (e.g. legal costs due to a lawsuit). When events like this occur, we review the activity and bring Budget Amendments to Council to best mitigate those unexpected expenses by shifting budgeted funds around to best capture our actual expense actuals for the fiscal year. We pull budget from accounts that we know we have control over or will have a year-end excess.

We are proposing the following Budget Amendments for the General Fund:

Budget Amendment #1:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Police Salaries	(\$20,000)	\$485,700	\$465,700
Police Overtime	\$20,000	\$40,000	\$60,000

We had an open police officer position for some time. During that time, we saved on salaries and benefits but had to pay more overtime. This amendment captures that impact.

Budget Amendment #2:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Animal Control	(\$1,000)	\$38,000	\$37,000
Parks & Rec General Supplies	\$1,000	\$580	\$1,580

PD has done a good job minimizing our use of Animal Control and resident activity has been slower this year compared to last year. This amendment shifts some of the savings from that account to the general supplies budget for Parks & Recreation, where we are anticipating a need for more funds. If the trend continues, we will have excess funds in the Animal Control budget for the year.

Budget Amendment #3:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Animal Control	(\$3,000)	\$37,000	\$34,000
Network Services - Finance	\$3,000	\$20,083	\$23,083

As we transitioned to the new financial SW, we paid for new SW licenses while maintaining 1 license to the old system (MOMS). This put us over budget on the Network Services for the Finance Department. This amendment shifts funds from Animal Control to cover for the software.

Budget Amendment #4:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Parks & Rec - Small Equipment	(\$2,500)	\$2,500	\$0
Parks & Rec - Vehicle Maintenance	(\$2,500)	\$4,000	\$1,500
Parks & Rec - Network Services	(\$1,000)	\$2,000	\$1,000
Parks & Rec - Janitorial	(\$2,000)	\$6,500	\$4,500
Parks & Rec - Beautification	(\$2,000)	\$6,000	\$4,000
Parks & Rec - Repairs & Maintenance	\$10,000	\$27,000	\$37,000

We have had some surprise facility repairs that needed to be completed this year, such as the central heat & air unit in the Community Building and vandalism in the downtown park bathroom, but Dispatch fees have been coming in lower than we anticipated. This amendment is a shift of funds to the Repairs & Maintenance account from other accounts in the Parks & Rec department.

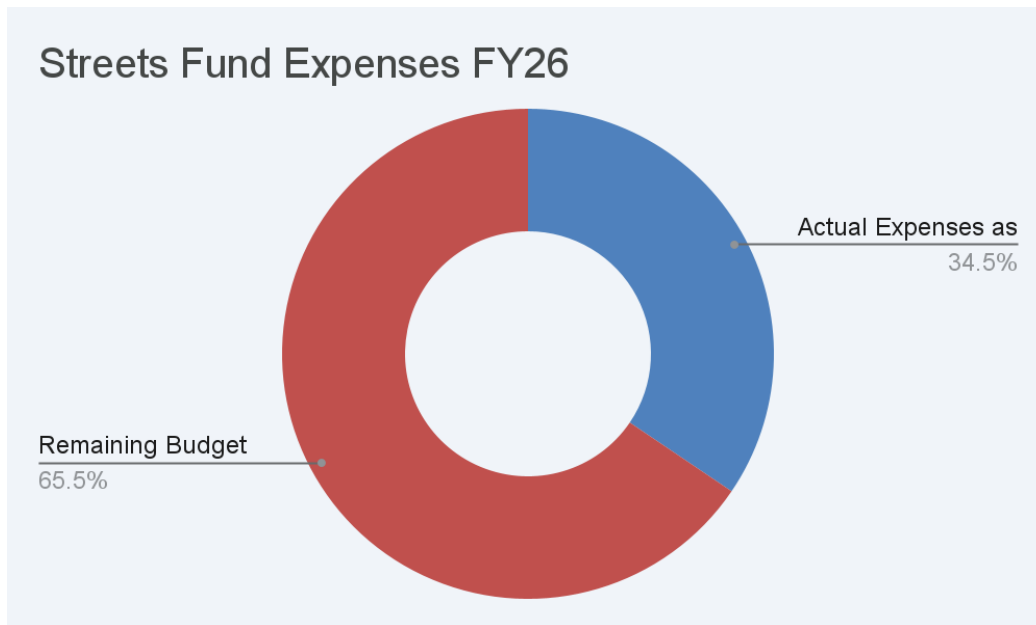
Budget Amendment #5:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Police - Safety Equipment	(\$1,000)	\$5,000	\$4,000
Police - Training	\$1,000	\$5,000	\$6,000

Police have expressed interest in sending staff to further trainings before the end of the fiscal year, and the current equipment will function as intended until June 30, 2026 and additional budgeted funds are not needed. This proposal shifts funds from equipment to training to support additional professional development opportunities to our Police Department.

Streets & Roads Fund

Our Streets & Roads Fund (Fund 003) is responsible for maintaining and repairing our roadways, sidewalks, storm drains, and any other transportation pathways. This fund receives revenue primarily from the State via Road Maintenance and Rehabilitation apportionments, as well as Highway User Tax apportionments. We also get grants from local agencies to assist us with road rehabilitation (e.g. ACTC). The primary expenses from this fund are payroll-related and capital improvements.

Here is the overall fund performance for the Streets & Roads Fund (003):



As it stands as of December 31, 2025, we are under budget by 15.5%, or \$42,383.98. We are obligated to pay some of the paving expense to Amador Water Agency as they continue to work on replacing the water lines on several roads around town, however payments have been delayed due to issues AWA is working out with their contractor; it's possible a lot of this work will be redone.

We budgeted \$42,500 for the fiscal year for this, so once we incur that cost and when we consider all current activity continues, we will be on pace for budget performance. If the AWA work rolls over into the next fiscal year, we will do the same with these funds.

We are proposing the following Budget Amendments for the Streets & Roads Fund:

Budget Amendment #6:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Street/Drain Repairs	(\$500)	\$20,000	\$19,500
Network Services - Finance	\$500	\$3,423	\$3,923

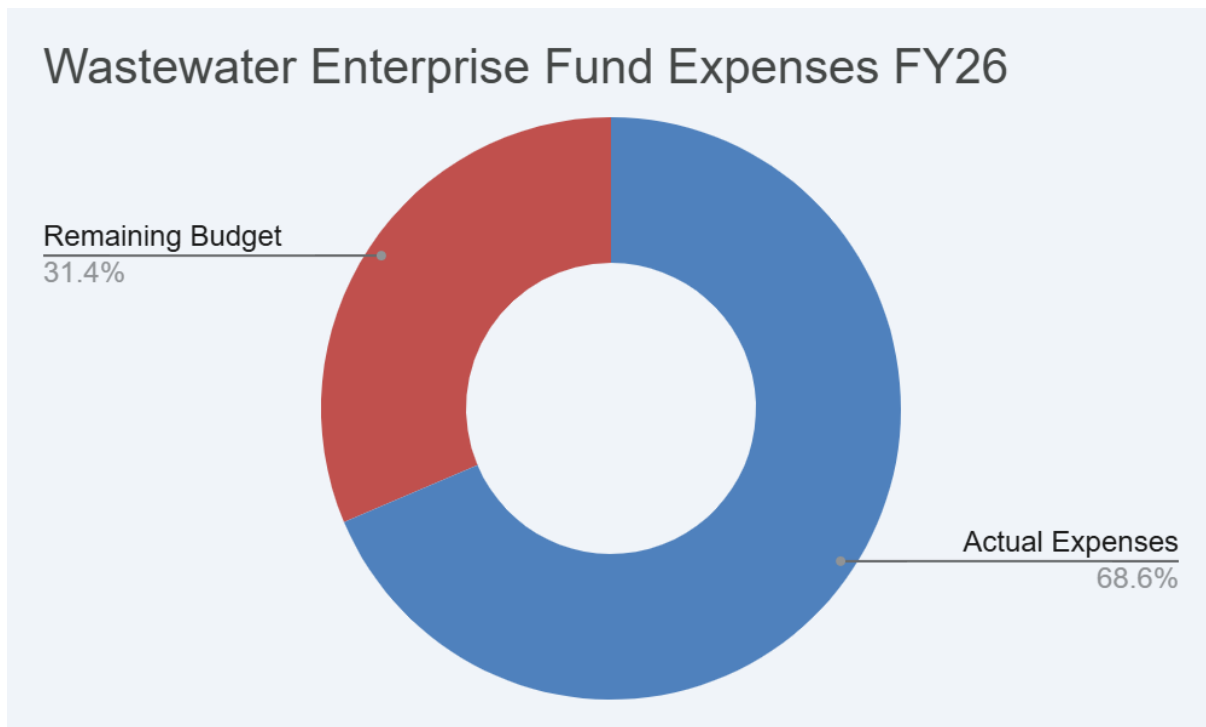
We allocate the software costs across multiple funds - we will have a surplus of funds in the Street/Drain Repairs since we have not done any work in this account, so we are shifting a small amount over to cover the software costs for the Finance Department.

Wastewater Operational Fund (Enterprise)

The Wastewater Enterprise Operational Fund (010) is the primary financial activity center for expenses related to wastewater-allocated payroll, wastewater treatment plant operations, wastewater collections systems operations, capital improvements, and asset acquisition for wastewater-related functions. Our primary funding source for this fund is the monthly sewer bills and a few connection fees. Some of the largest expenditures for this fund are salaries and benefits, capital expenditures, insurance, wastewater treatment plant chemicals, and engineering services.

Over the last couple of fiscal years, we used this fund to make necessary repairs and improvements to our wastewater collections system in preparation for our design of a new wastewater treatment plant. These repairs are costly but needed on our old collection system and, in the long run, if we can reduce our flows into the new wastewater treatment plant, it could reduce the overall cost of the new plant and actually save us money. These capital expenditures are one-time costs for the fiscal year and can create the illusion that we are overspending at a given point in time when compared to the annual budget, but once the work is complete, no more spending is expected for that item in the current fiscal year.

Here is the overall fund performance for the Wastewater Enterprise Operational Fund (010):



We have been busy in the Wastewater Fund; we appear to be 18.6% over budget on an annualized average basis. However, because of anticipated one time expenses we are on budget.

The 18.6% equates to \$453,478 over what we would expect, on an average basis, to be activity-wise for the fiscal year. However, we completed some major capital projects and one-time expenses during the first half of the year, as planned. Some major one-time expenses for this fund in particular are the Miscellaneous Sewer Main Replacement Project that was completed in December 2025, our wastewater

portion of the CalPERS UAL costs, and the upfront premiums for our Liability and Property insurance from CSJVRMA.

The Miscellaneous Sewer Main Replacement Project had a total budget of \$776,631, of which we spent \$737,611 as of December 31, 2025. If we analyzed this as a monthly expense item that lasted all 12 months of the fiscal year, we would expect to have spent 50% of the total budgeted amount by the end of December, which is \$388,316. Actual expenditures for the project at 50% of the year would have been \$368,806. If we analyze this data with the frame of mind that we spent the full year's budget at the 50% point of the year, the other 50% appears to be 'overspent', but it really isn't since this type of activity must occur at a particular period of the year and most likely won't span the full fiscal year from July to June. Based on this data, \$407,825 of the total project appears to be spent in advance and makes the actual expense percentage look like we are blowing through our budget for the year, but now that the project is completed, it will not continue to add to our spending for the year.

Similarly, the CalPERS UAL is an annual payroll liability that we pay every July in full to prevent the interest expense that we incur if we choose to pay monthly. We budgeted the full fiscal year wastewater

UAL at \$132,846. At 50% of the year, if it was a monthly expense, we would have spent \$66,423, and the other \$66,423 would appear to be 'overspent' as of this point in time. However, since it is a one-time expense, we do not incur any additional cost from that item for the rest of the year.

Finally, for the CSJVRMA insurance premiums, the enterprise portion of our premiums was budgeted to be \$160,500, of which we have spent \$108,452 at this point in the year. At this point in the year, 50% would be \$80,250, so the \$28,202 that we have spent so far could be interpreted as 'overspent' but the timing of the premiums does not exactly coincide with the way we review budget activity.

If we take into account these three examples, the amounts that appear to be 'overspent' from the account examples but are actually one-time expenses that are complete and will have no further impact on actual activity total up to \$502,450, which fully encompasses the amount that appears to be 'overspent' on an overall fund basis, so we are on budget. We will continue to be vigilant and monitor our Wastewater spending. Similarly to the General Fund, although on an overall fund-basis we are performing according to budget, there are some accounts that go over budget due to unexpected activity throughout the year that we need to make Budget Amendments for.

We are proposing the following Budget Amendments for the Wastewater Enterprise Operational Fund:

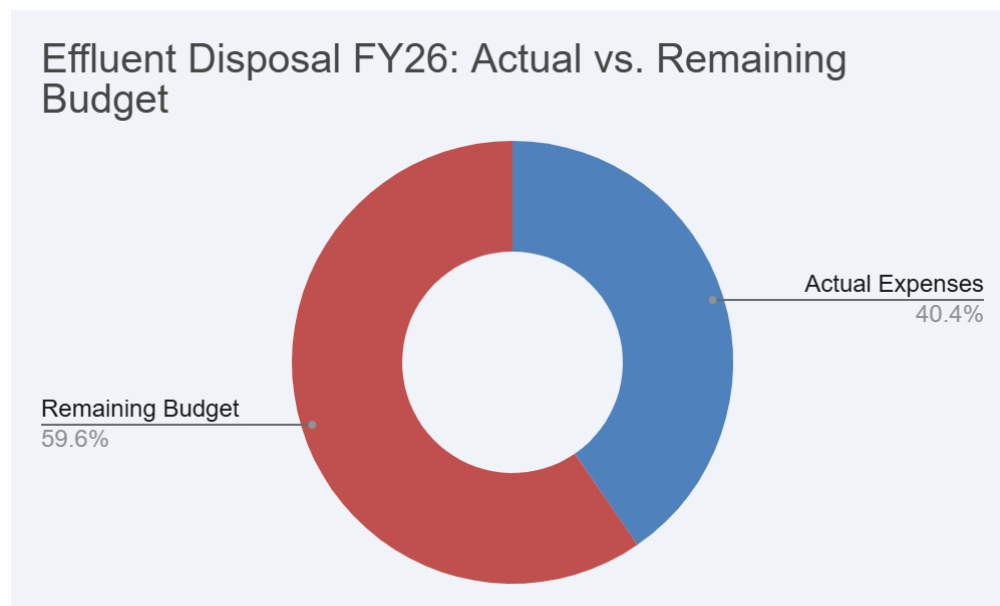
Budget Amendment #7:	Budget Adjustment Amount	Original Budget Amount	Revised Budget Amount
Sewer Collections Improvements	(\$6,000)	\$776,631	\$770,631
Travel/Trainings - Sewer Treatment Plant	\$1,000	\$1,000	\$2,000
Network Services - Central Services	\$3,000	\$1,500	\$4,500
Network Services - Finance	\$2,000	\$22,365	\$24,365

The wastewater team has gone to a couple of trainings this year and the expenses grew past our original budgeted amount, as well as some software costs that exceeded our original predictions as well. This amendment shifts some of the project savings from the Miscellaneous Sewer Main Replacement Project to those accounts.

Effluent Disposal Fund (Enterprise)

The Effluent Disposal Fund (Fund 080) is used to track ARSA-related expenses. Currently, the costs incurred by the City for ARSA services are reimbursed by ARSA on a monthly basis. Similarly to the Wastewater fund, the largest expenses for ARSA are capital expenditures, engineering costs, and payroll-related expenses to maintain and operate the pipeline. On the City’s side as a participating agency in the JPA, the biggest expenses we have are the quarterly payments that we send to ARSA.

Here is the overall fund performance for the Effluent Disposal Fund (080):



On an overall fund basis, we are keeping expenses down while also spending quite a bit of time working on the repairs at Henderson Reservoir. The payroll costs and engineering costs are high but we anticipated

that going into this fiscal year. As we get closer and closer to the new wastewater treatment plant construction phase, we hope to ramp down ARSA operations and minimize costs until we have a completed, tertiary treatment facility and we can officially abandon the pipeline since we will be discharging into the creek. Over the next few years, we will try to reflect that ‘winding down’ phase in the annual budgets.

ARSA activity is weather dependent. We are also monitoring fuel and related costs for impacts in the second half of the year.

Conclusion

Across all of the operational accounts, the expense performance on an overall fund basis looks to be performing as expected for this point in the fiscal year. The capital projects and major one-time expenses that we typically incur early on in the fiscal year does impact our frame of reference for certain performance metrics, but if we keep those special cases in mind and assign the expense to the months they were intended to be incurred, we are on budget. Typically, many of our largest one-time expenses are incurred in Q1 and Q2 of the fiscal year, and in Q3 and Q4 we receive some of our largest one-time revenue items to build back up our cash flow. We can see here that the story holds true for fiscal year 2025-26. Now that most, if not all, of the major capital projects for this fiscal year are completed, we will await our major Property Tax payments, franchise fee payments, as well as a few other sources of revenue.

We will continue to monitor revenue and expense activity throughout the year to make sure that anything strange or unexpected is identified quickly and we can take the proper course of action to mitigate any impacts those unexpected events may have.

BUDGET IMPACT:

Approved budget amendments will reassign funds to accounts to match our actual activity. There are no additional funds being requested through these budget amendments. Any excess funds will be discussed as part of the FY 2026-27 budget.