



STAFF REPORT

TO: HONORABLE MAYOR & CITY COUNCIL MEMBERS
MEETING DATE: FEBRUARY 17, 2026
FROM: MASON PETERS, FINANCE SUPERVISOR
SUBJECT: MID-YEAR REVENUE ANALYSIS

RECOMMENDATION:

Review and comment on the City’s midyear variable revenue performance.

No budget amendments at this time. Staff will also conduct a mid-year review of expenses and may propose budget amendments at that time.

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.

DISCUSSION:

For this discussion, our analysis will shift to a concentrated review of variable revenue, which constitutes the majority of our taxable income base. Unlike fixed administrative fees, our primary funding sources—specifically Property Tax, Sales Tax, and Transient Occupancy Tax (TOT)—are inherently variable and sensitive to economic shifts. These revenues are the ‘Big Three’ that enable us to perform fundamental functions as a municipality that are not related to utility services. In regards to the utility services, we rely on our multiple Wastewater Fund Charges to allow us to collect, treat, and dispose of all wastewater and to repair and maintain our wastewater infrastructure in its entirety. These Enterprise Fund fees include sewer service charges, connection fees, reimbursements from ARSA, and late fees for sewer bills.

This targeted discussion allows us to refine our revenue projections, ensuring that our spending remains sustainable and that we are adequately prepared for the seasonal or economic variances inherent in a tax-heavy revenue model. We will have another session similar to this regarding expenses soon, reviewing expenses unrelated to cost-recovery processes that we identify as important to single out and discuss to ensure that the city’s fiscal performance is on target.

Property Tax

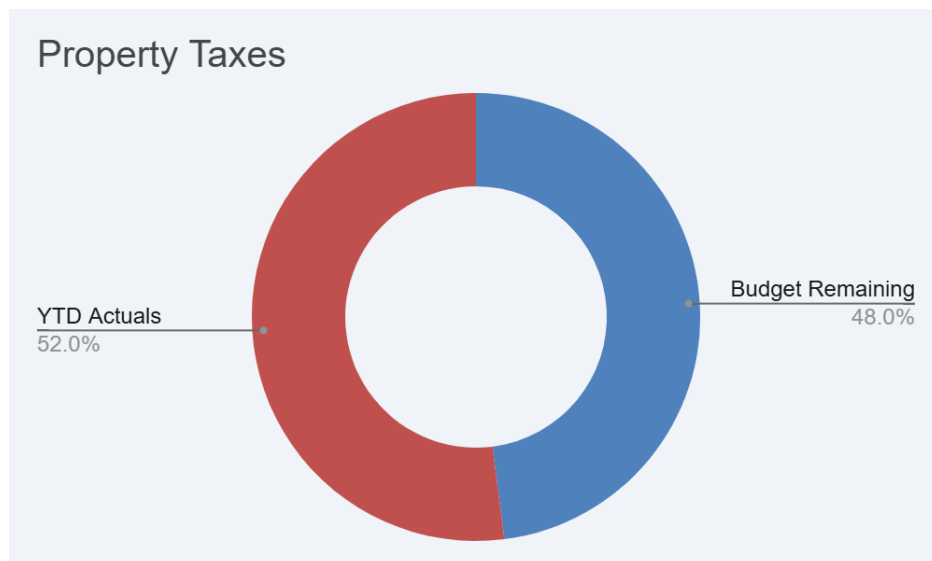
The most consistent yet slow growing revenue source for the city, Property Taxes and all of its attributed secondary revenues that we receive each year makes up the largest portion of our General Fund budgeted revenues each year. These revenues fluctuate only with property reappraisals that are triggered by certain events related to the property in question (i.e. sale of property or significant improvements to property), which can increase the taxable base to the current market value instead of the standard annual inflationary increase limit to 2% based on language in Proposition 13. The Amador County Assessor's Office invoices property owners around the county and, with assistance from the Amador County Auditor's Office, distributes the revenues for each incorporated city based on the location of the properties respectively.

We receive 3 payments for each fiscal year - about one half in December/January, another large portion in May/June, and a final catch-up payment in August that is accrued back to the prior fiscal year that is much smaller than the other two 'halves' payments.

I recently had a conversation with Jim Rooney, our County Assessor, about reappraisal activity and how he thinks the next year or two will look in regards to property taxes and what we can expect financially. He is noticing a slight slowdown in reappraisals which might slow down year-to-year property tax performance for cities, but he noted that Sutter Creek has higher assessment values in general than other incorporated cities in the area and we can likely expect 2-3% growth year-to-year.

For fiscal year 2025-26, here is the current data as of the end of January 2026 (7 months):

Property Tax Annual Budget Amount (Total)	Property Tax YTD Actuals (Total)	Property Tax Budget Remaining (\$)	Property Tax Budget Remaining (%)	Performance Status
\$1,085,100.00	\$564,368.25	\$520,731.75	47.99%	Over-Performing



Considering this is a mid-year budget performance review and we are ahead 2% on the year so far, and we know that we will receive the other “half” of our property tax payments in May/June along with a catch up for any straggling payments in August to be accrued back to FY26, we are ahead of budget in this key revenue stream. 50% would be \$542,550, so we are \$21,818.25 ahead of where we expected to be. Based on my conversations with Jim Rooney about future years’ performance as well, we can safely continue to assume a 2-3% growth rate each year for revenue growth projections.

Sales Tax (Bradley Burns (1%) & Transactions and Use Tax(TUT 1%))

A strong indicator of economic health for our city as well as the economy in general, local Sales Tax is the second largest budgeted General Fund revenue item each year in our budget. It includes retail and commercial (B2B) sales activity. As a municipality, we get 1% of the state’s standard 7.25% sales tax rate. Most sales tax payers are quarterly in our area, so our monthly sales tax revenues that we see are tax ‘estimates’ that the State sends to us until that current quarter ends, at which time the state takes what we are owed for the quarter and what they have advanced us so far, and they pay us the difference of the two (paid in arrears one quarter). If you take a look at our quarter-end payments from the state for sales tax (including TUT), those payments are typically notably larger than the ‘advance’ payments we receive during the quarter. They are conservative in their ‘advances’ during the quarter to prevent an overpayment situation by the end of the quarter, and the need to reclaim money they paid out to cities and counties.

For our city specifically, our new Transactions & Use Tax of 1% on top of the state’s 7.25% sales tax is new revenue from Measure P. The scope of who is required to pay this TUT is much broader than the Bradley-Burns sales tax since it encompasses purchases outside of the city limits - as long as the purchase shipment address or the first primary use of the purchased item is within our city limits, we receive the revenue. This includes purchases on Amazon, Car purchases, as well as commercial purchases used in the City. Due to the larger pool of purchases that this tax applies to, the 1% TUT revenue generates more than the 1% Bradley-Burns sales tax.

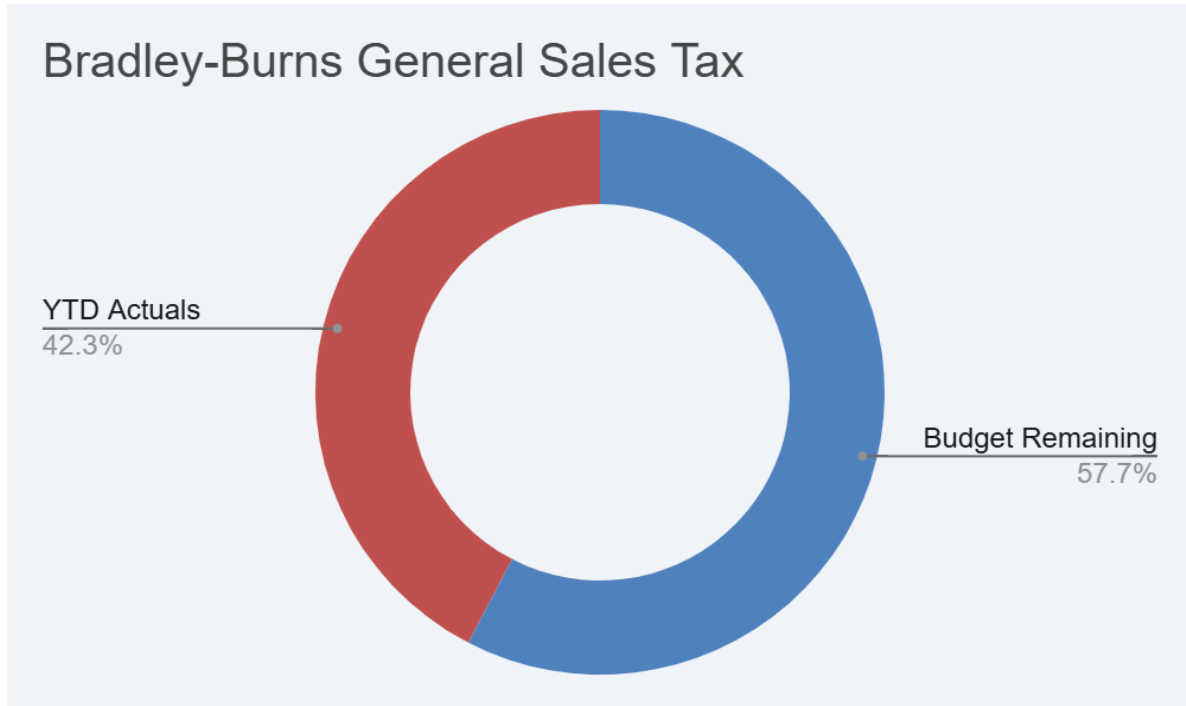
As directed by council, these revenues are to be utilized for non-enterprise infrastructure repairs/improvements (i.e. streets, storm drains) and public safety support, with review by a community oversight committee.

One crucial thing to note regarding all Sales Tax revenues and how we interpret their performance is the delay in which we receive a given month’s revenues. We might receive a payment from the state for Sales Tax revenues in January, but the funds are for November activity. We typically accrue 2 months worth of Sales Tax revenues at the end of the fiscal year because we receive the payments after our fiscal year has ended, but the funds belong in the prior fiscal year since it reflects the activity from that given month. In January, we received November’s Sales Tax payments for Bradley-Burns General Sales Tax and TUT.

If we consider the performance against budget on that timeline (including the delay of payment), we are only 5/12ths through the year, which means we can only expect to have received roughly 41.67% of the total fiscal year revenues, and we expect to receive the remaining 58.33% over the next 7 months based on our annual budgeted expectations.

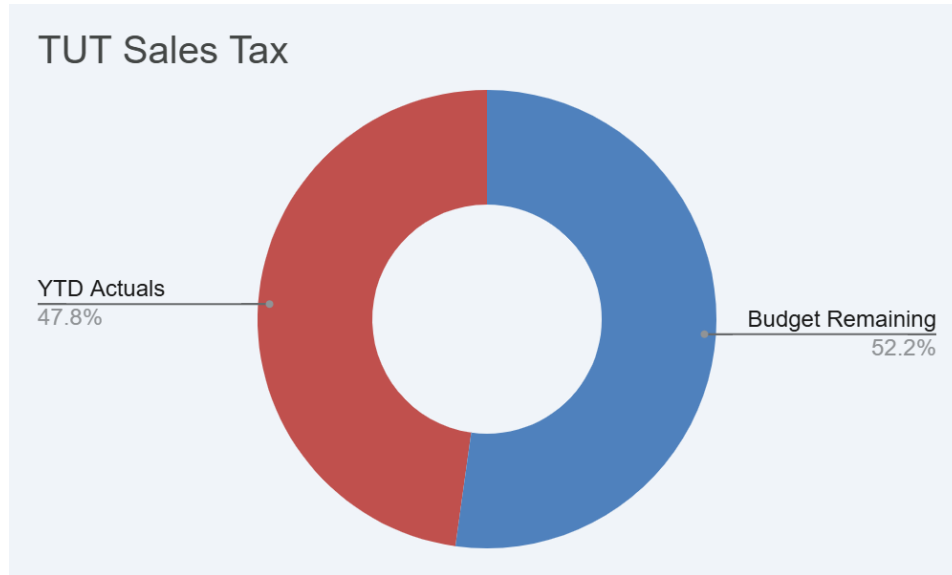
For fiscal year 2025-26, here is the current data as of the end of January 2026 for Bradley-Burns General Sales Tax and the Transactions & Use Tax, separately:

Bradley-Burns General Sales Tax Annual Budget Amount (Total)	Bradley-Burns General Sales Tax YTD Actuals (Total)	Bradley-Burns General Sales Tax Budget Remaining (\$)	Bradley-Burns General Sales Tax Budget Remaining (%)	Performance Status
\$484,654.00	\$205,209.22	\$279,444.78	57.66%	On-Track



Let's start with the Bradley-Burns Sales Tax. The current YTD Actuals performance is at 42.3% of total fiscal year budgeted. Since we have only received revenues up through November 2025, we should have received 41.67% of fiscal year revenues at this point (on average). We are 63 basis points (.0063%) ahead of where we can expect to be, on average, as of this point in the year. This revenue item will need to be monitored to make sure any noticeable fluctuations are seen and taken into account as we progress through the rest of the fiscal year. After reviewing the data and considering the delay in payments from the state based on their reporting schedule, we are on-track with this revenue stream. This revenue varies seasonally, with a lot of sales during the holiday season. The fact that we were on target through November is a good sign that we have not seen a dip in the economy impacting our sales tax revenue.

TUT Sales Tax Annual Budget Amount (Total)	TUT Sales Tax YTD Actuals (Total)	TUT Sales Tax Budget Remaining (\$)	TUT Sales Tax Budget Remaining (%)	Performance Status
\$484,654.00	\$231,664.05	\$252,989.95	52.2%	Over-Performing



The Transactions & Use Tax performance is paid at the same delayed schedule as the Bradley-Burns General Sales Tax. We have received all revenues from the state up through November 2025 - we are at 47.8% of total fiscal year budgeted revenues. As of November 2025, on average, we should expect to have 41.67% of total fiscal year budgeted revenues. We are outperforming the budget by 6.13% at this point in the year.

Due to this being the first full fiscal year with TUT revenues coming in and no reference amount to base the fiscal year budget on, we were conservative with our budget expectations on this revenue item and set it to the same amount as the Bradley Burns Sales Tax expectations, even though we had been told that it would outperform Bradley Burns due to the wider scope it encompasses. We would rather have the actuals outperform the fiscal year budget than us overestimating what to expect for the year and coming in short, so this is good news going forward. If we assume no seasonability, we should come in closer to \$556,000 for the year or \$71,000 more than budgeted. With experience, we will attempt to forecast TUT revenue more accurately in the FY26-27 budget.

Transient Occupancy Tax (TOT)

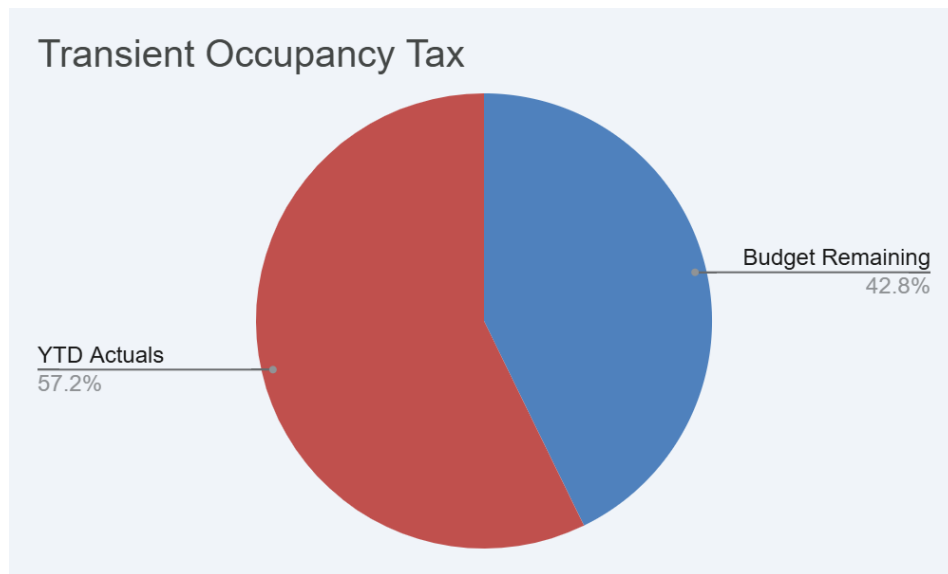
More tourist-driven than Sales Tax, Transient Occupancy Taxes (TOT) reflects short-term rental activity within city limits (short-term is defined as between 1-30 days) and is the third largest revenue item in our annual budget. Hotels, Bed & Breakfasts, VRBOs, AirBNB, and any other style of short-term rental are required to remit 12% of the total gross rents charged by the owner to the city as TOT. Currently, TOT

licensees pay on a monthly basis based on the self-reported monthly activity at their rental property using our forms that we send them each quarter.

Similar to Sales Tax revenues, there is a delay in our receipt of each month's TOT payments. The owner has 30 days to report and pay their prior month's rental activity (i.e. December's TOT is due in January). Therefore, we need to analyze the revenue figure with the consideration that we can only expect to have received 50% of the total annual budgeted revenue.

For fiscal year 2025-26, here is the current data as of the end of January 2026:

TOT Annual Budget Amount (Total)	TOT YTD Actuals (Total)	TOT Budget Remaining (\$)	TOT Budget Remaining (%)	Performance Status
\$316,854.00	\$181,324.28	\$135,529.72	42.77%	Over-Performing



Considering we only have revenues through the December 2025 rental period due to the delay in reporting and payments, we should only expect to be at 50% of revenues at this point in time. Our YTD Actuals performance is at 57.2%, meaning we are 7.2% ahead or \$22,813 above where we expected to be at this point in the year. As we enter the slower event season in the city, we typically see a bit of a slow down in rental activity, so it is important that we make sure that the slow down is not significant enough that we don't reach our budgeted revenue by the end of the fiscal year. A good 'temperature check' will be around April or May, so we can see where we are at after Q3 wraps up.

With the recent moratorium placed by City Council on any new short term rental applications to give us time to draft and adopt clearer, more precise language to regulate all short term rentals in the city, a question arose that we would like to answer in this report: of the total TOT revenue the city generates, how much of that is hotel/bed & breakfast generated and how much is generated by other forms of STR?

Using the list of categorized properties provided in the STR staff report from the last City Council meeting, we summarized the revenue generated by each category so far for FY26 and here are the results:

Hotels/Bed & Breakfasts/Inns YTD Actuals FY26	Other STRs YTD Actuals FY26	Total
\$161,251.68	\$20,072.60	\$181,324.28
88.93%	11.07%	100%

Hotels, Bed & Breakfasts, and Inns make up the majority of our TOT revenues in the city, but the other STR generated revenue is not insignificant in dollar amount. We are providing this information for the City Council to clarify how impactful STRs are in terms of total TOT generation so we can have more informed conversations for future STR regulation discussions.

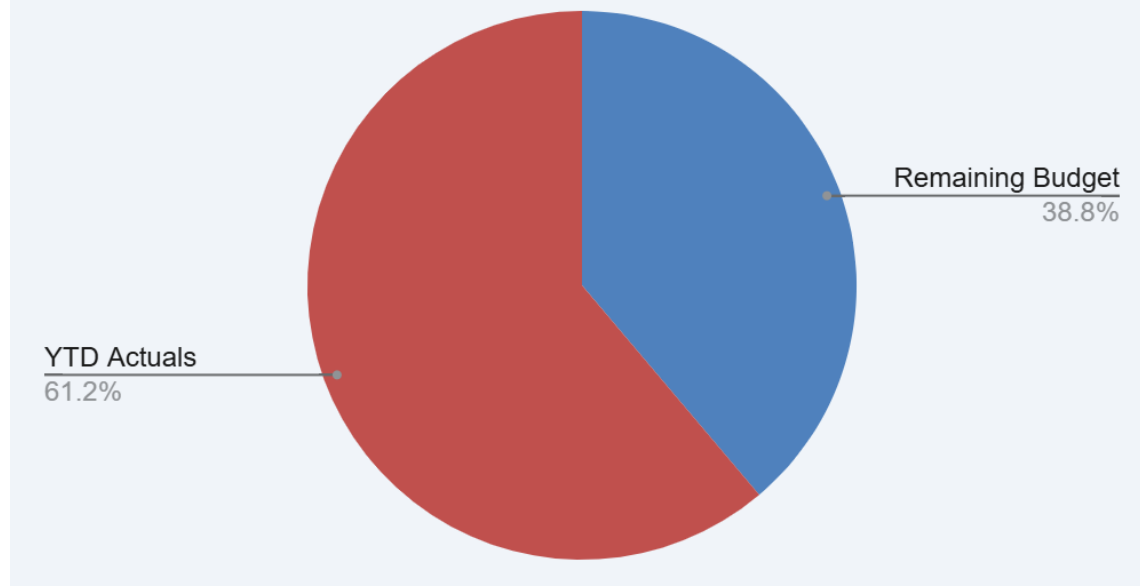
Wastewater Enterprise Fund Revenues

We rely on all of our Wastewater Enterprise Fund revenues to be able to operate, maintain, and upgrade our collection system and treatment facility as well as pay our Plant Operators and staff that support the wastewater system administratively. Regular sewer service charges, connection fees, late fees, and reimbursements from ARSA are a few examples of revenues that are crucial to the city continuing to process wastewater effectively and efficiently. We bill monthly for sewer service charges.

For fiscal year 2025-26, here is the current data as of the end of January 2026:

Account Name	Annual Budget Amount	YTD Actuals	Annual Budget Remaining (\$)	Annual Budget Remaining (%)	Performance Status
Sewer Service Charges	\$3,239,578	\$1,918,753.02	\$1,320,824.98	40.77%	Over-Performing
Septic Dumping Fees	\$50,000	\$30,214.48	\$19,785.52	39.57%	Over-Performing
ARSA Reimbursements	\$156,068	\$113,790.46	\$42,277.54	27.09%	Over-Performing
Sewer Connection Fees	\$20,494	\$64,245.12	-\$43,751.12	-213.48%	Over-Performing
Late Fees	\$40,000	\$17,684.65	\$22,315.35	55.79%	Under-Performing

Total Enterprise Fund Revenues



The Enterprise Fund revenue performance is strong overall - however, Late Fees are underperforming for this point of the year but the reasoning is in support of the rate payer - when the city transitioned utility billing services back in July 2025, the transition did not bring over any autopay customers and in order to best serve our ratepayers, we offered a grace period to re-establish their autopay and/or ebill services with our new billing software. We did not charge any late fees until November 2025 to ensure that we reached out and assisted as many customers as we reasonably could. We still have customers reaching out periodically to reestablish autopay services, but we were able to contact and assist most of our autopay customer base.

We are expecting 38.8% of annual revenues to come in between now and June 30, 2026. On average, at this point in the year, we would expect to receive 41.67% by June 30, 2026, indicating that we are 2.87% ahead of where we expected to be with our original annual budget. 2.87% of our total Enterprise Fund budgeted revenues translates to \$100,626.22 ahead of budget for this point in the year. If we end up with any surpluses at the end of the fiscal year for the Enterprise Fund, we will put those away into reserves to boost our position when we go out to financing for the new Wastewater Treatment Plant. The goal with the new rate schedule was to reduce I&I to reduce the necessary size of the plant to save money, as well as increase reserves to make our financing capabilities less constrained for the years to come. As we can see by the budget performance, those goals are being met with the rates and we are setting ourselves up nicely for the future.

BUDGET IMPACT:

Overall, our mid-year revenue forecast is on target / slightly overperforming. Because TUT is committed by promises to voters to specific uses, we do not have a General Fund windfall where staff would suggest incurring new expenses in excess of the budget.