

Policy Briefing Summary

City Council



Regarding:	Resolution of Appropriation to Amend the FY26 Budget - \$10,001,875.49 (2nd reading)
Staff Contact(s):	Samuel Sanders, Jr., City Manager, Chris Cullinan, Director of Finance
Presenter:	Chris Cullinan, Director of Finance
Date of Proposed Action:	March 2, 2026

Issue

The audit for Fiscal Year 2025 (FY25) has been completed. To close the City's financial records for the year, several year-end adjustments to various accounts require City Council action.

Background / Rule

Several year-end adjustments are required to carry over unspent funds from the last fiscal year (FY25) to the current fiscal year (FY26). These carry-overs are the result of either previous City Council policy direction or requirements associated with the funds.

Analysis

The fund balance for the General Fund totaled \$59.0 million at the end of FY25. When restricted uses of fund balance are netted out (including the City's 17% fund balance policy), the General Fund finished with approximately \$8.5M of unrestricted (surplus) funds in fund balance. This amount represents 3.4% of the total amount of the FY25 Adopted Budget.

Overall, General Fund revenues performed approximately \$7.5M above budget. Top performing revenues compared to budget include (amounts shown above budget):

- Interest Income = \$1.9M.
- Building and Plumbing Permits = \$1.9M.
- Real Estate Taxes = \$1.8M.
- Gains on Investments = \$1.3M.
- Personal Property Taxes = \$796K.
- Business Licenses = \$767K.

Generally, City departments spent less than budgeted. Total General Fund expenditures were \$3.5M below budget (1.3% below budget).

Expenditures on salaries and benefits were approximately \$3.0M below budget. In the past several years, salaries and benefits expenditures were much more significantly below budget as a result of high vacancy rates. The FY25 results illustrate the City's increased efforts to recruit and retain employees as well as a more refined approach to budgeting for vacancies.

Salaries and benefits results also reflect the use of approximately \$900k of ARPA funds to offset eligible public safety salary expenses (i.e. there are approximately \$900k of salary and benefit costs not included in the General Fund expenditures). City Council approved the use of these funds in December 2024 in order to meet the US Treasury deadline of 12/31/2024 to obligate all ARPA funds.

Following several years of large surpluses, the City Manager and Budget Office emphasized the need

for departments to more accurately project their financial needs and timely execution of initiatives within the fiscal year. Those efforts are reflected in the FY25 actual expenditures being closer to budget.

Financial Impact

Funds from year-end surpluses are considered to be a one-time revenue and should be used for one-time uses or projects. The recommended uses are either one-time in nature or are restricted by requirements associated with the funds.

Recommendation

The FY25 year-end appropriation totals approximately \$10.0M, grouped into four categories:

General Fund \$8,502,177.67
Facilities Repair Fund \$24,490.54
Grants Fund \$10,442.28
Schools Gainsharing \$1,464,765.00
TOTAL \$10,001,875.49

Details for each of these categories are listed below.

1. General Fund = \$8,502,177.67

Per the City's Long-term Financial Management Policies, it is recommended that all surplus funds be transferred to the Capital Improvements Contingency. Expenditures out of the CIP Contingency account will be approved by City Council with a separate resolution when necessary.

In addition to these recommendations for the General Fund, several carry-over appropriations listed below are needed to close the books for the fiscal year.

2. Facilities Repair Fund = \$24,490.54.

Unspent restricted courts fees for Courthouse maintenance and construction will be carried over in the Facilities Repair Fund.

3. Grants Fund = \$10,442.28.

Unspent State Fire Grant funds to be used for qualifying expenditures.

4. Schools Gainsharing = \$1,464,765.00

In 1998, the School Board and City Council entered into a gainsharing agreement. This agreement mandates that the first \$100,000 to go to facilities for School Capital Improvement Projects, the next \$100,000 is retained by the Schools in the General Fund and then any amount over \$200,000 will be shared equally (50/50) between the School Board and the City.

For the year ending June 30, 2025, the Schools Gainsharing amount totals \$1,464,765.00. The full amount is recommended to be transferred to the City's Debt Service Fund to help offset debt service costs related to school projects.

Recommended Motion (if Applicable)

I recommend approval of the resolution of appropriation to amend the FY26 budget as presented by the City Manager and Director of Finance.

Attachments

1. Resolution of Appropriation to Amend the FY26 Budget