



Agenda Item Report

Legislative Board: City Council
Date: March 24, 2026
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ITEM TITLE: Submittal of the Fiscal Year 2026 First Quarter Financial Update (Finance Director Bianca Redmon)

1. EXECUTIVE SUMMARY

The City Charter requires the City Manager to keep the City Council fully advised as to the financial condition of the City. The Finance staff provides City Council a quarterly update of the City's finances in order to meet this requirement.

2. BACKGROUND/HISTORY

At the end of each quarter, the Finance Department reviews the City's finances for the preceding three months and provides a summary of the finances for the City's major funds. The fiscal year 2025 fourth quarter financial update was provided to City Council in January. This financial update represents the first quarter of the 2026 fiscal year.

3. ANALYSIS

Staff has reviewed the City's finances through the first quarter of the 2026 fiscal year, which includes October through December. The update through the first quarter represents 25% of the fiscal year. Revenues have remained stable at the start of the new fiscal year, with early collections aligning closely to expectations, while expenditures reflect typical first-quarter pacing with some variances due to timing and one-time items.

For the City's major funds, which include the General Fund, Water Fund, Wastewater Fund, Governmental Interest & Sinking Fund, Hotel Occupancy Tax Fund, and the Sanitation Fund, the total budgeted revenue was \$47.3 million. Through the end of the first quarter, the City collected \$8.6 million for these funds, 18.3% of the budgeted revenues. This is primarily due to steady sales tax and utility collections offsetting minimal property tax inflows. For expenditures, the budget for the major funds totaled \$51.0 million, and expenditures through the first quarter totaled \$9.3 million, or 18.2% of the total budget for major funds.

Other Key Financial Highlights

1. General Fund Expenditures

- Target: 25.0% of budgeted expenditures for Q1.

- Actual: 25.1% of budgeted expenditures for Q1.
- Overall expenditures are slightly above target for the start of FY2026, driven by timing of non-departmental and facilities costs.
- Non-Departmental – higher legal fees activity.
- Development Services – lower designated services cost activity.
- Animal Control – lower expenditures due to not yet receiving invoices from animal shelter.

2. Sales Tax Revenue Performance

- Sales tax collections decreased by 0.1% compared to the prior year through December.
- Actual collections through December accounted for 25.8% of the total budgeted amount.
- This exceeded the target collections by \$74k (approximately 0.5%).

3. Property Tax Revenue Update

Budget expectations:

- Total collected as December: \$9k, or 0.08% of the total budgeted revenue.
- Represents \$228k under the current targeted expectations based on prior years' activity, reflecting minimal early collections.
- The low collections in the first quarter align with typical patterns, as the majority of collections occur post-January 31st deadline.

Compared to prior year:

- This represents a \$123k decrease over the \$132k collected in the same period last year.
- The decrease is due to timing adjustments and a potential shift in collection patterns.

4. Hotel Occupancy Tax (HOT) Revenue

- City of Buda's hotel tax collections are trending down due to a decline in travel activity.
- Occupancy percentages in November 2025 were 14.1% less than November of 2024.
- The Average Daily Rate in November 2025 was \$94.27 compared to \$98.57 in November 2024.
- Hotel revenues (on an accrual basis) decreased from the previous quarters, totaling \$202,395 or about 31.8% less from prior year, same quarter.
- Statewide hotel tax collections are also experiencing a similar downward trend.
- The ongoing decline in hotel tax revenue has impacted tourism-related initiatives. The City's adopted budget for FY 2026 reflects a reduction in services. Further monitoring is needed to assess long-term impacts.

4. FINANCIAL IMPACT

Staff's review of the City's finances is prepared for City Council at the end of each quarter. Revenues and expenditures in all the major funds are on target with staff's expectations regarding the receipt of revenues and expenditures of funds through the fiscal year.

Staff reviews the revenue and expenditure amounts in the City's budget on a monthly basis to ensure the City is receiving its' budgeted revenues, and also ensures the expenditures are being properly recorded and are in line with the budget adopted by City Council. Any discrepancies are addressed. The attachment includes information on revenues and expenditures through the first quarter for the City's major funds, total property tax receipts, total sales tax receipts, and total hotel occupancy revenue.

In conclusion, revenue sources remain stable, driven by strong sales tax performance. However, the decline in hotel tax revenue should be monitored for potential budget impacts.

Fund Balance Requirements	Policy Requirement	Policy Target	Actual Through Quarter End	Meets Requirements
General Fund Unrestricted Fund Balance	3.5 months of recurring operating expenditures	5,417,099	11,289,777	Yes
Hotel/Motel Tax Fund Balance	3.5 months of recurring operating expenditures	323,442	1,394,688	Yes
Water / Wastewater Unreserved Working Capital	3 months of recurring operating expenditures	3,800,315	10,186,046	Yes
Debt Service Fund Balance	5% of total annual debt services requirements	409,641	871,771	Yes

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES

6. STRATEGIC PLAN OBJECTIVES

Maintain a fiscally responsible City property tax rate and competitive fee structure.

7. PROS AND CONS

Not applicable.

8. ALTERNATIVES

Not applicable.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Provided for informational purposes only.

Attachments:

[FY26 1st Quarter Financial Update.pdf](#)