



Agenda Item Report

Legislative Board: City Council
Date: January 20, 2026
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ITEM TITLE: Submittal of the Fiscal Year 2025 Fourth 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 third quarter financial update was provided to City Council in September. This financial update represents the fourth quarter of the 2025 fiscal year.

3. ANALYSIS

Staff has reviewed the City's finances through the fourth quarter of the 2025 fiscal year, which includes July through September. The update through the fourth quarter represents 100% of the fiscal year. Revenues have significantly increased, particularly due to sales tax collections, while expenditures remain aligned with budget expectations.

Compared to the third quarter, revenues increased moderately in the final quarter, driven by seasonal collections, but overall collections fell slightly short of the amended budget. Expenditures accelerated in the final quarter to close out the year, reflecting end-of-year adjustments and completions, resulting in a higher percentage compared to the third quarter's pace, though still under budget overall.

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 \$47.0 million. Through the end of the fourth quarter, the City collected \$46.9 million for these funds, 99.8% of the budgeted revenues. This is primarily due to sales tax and property tax collections. For expenditures, the budget for the major funds totaled \$50.8 million, and expenditures through the fourth quarter totaled \$49.3 million, or 97% of the total budget for major funds.

Other Key Financial Highlights

1. General Fund Expenditures

- Target: 100% of budgeted expenditures for Q4.
- Actual: 94.9% of budgeted expenditures for Q4.
- Overall expenditures are close to budget expectations for FY 2025.
- Facilities –building maintenance costs less than anticipated.
- Police – salary savings from employee turnover.
- Community Relations – interactive display was not spent.
- Development Services – unspent funds related to engineering services
- Parks – salary savings from employee turnover

2. Sales Tax Revenue Performance

- Sales tax collections increased by 4.2% compared to the prior year through September.
- Actual collections through September accounted for 100% of the total budgeted amount.
- This exceeded the budgeted target by \$54k (approximately 0.41% above projections).

3. Property Tax Revenue Update

Budget expectations:

- Total collected as September: \$10.9 million, or 99.9% of the total budgeted revenue.
- Represents \$6k under the current budget.
- The modest increase in collections from the third quarter's \$10.8 million reflects final payments and adjustments of the January 31st property tax deadline aligning with the year-end expectations.

Compared to prior year:

- This represents an \$807k increase over the \$10.1 million collected in the same period last year.
- The increase is due to the rise in the property tax rate.

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 September 2025 were 9.5% less than September of 2024.
- The Average Daily Rate in September 2025 was \$96.18 compared to \$92.07 in September 2024.
- Hotel revenues decreased from the previous quarters, totaling \$203,209 or about 10.8% 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 proposed budget for FY 2026 reflects a reduction in services. Further monitoring is needed to assess long-term impacts.

4. FINANCIAL IMPACT

Staff has reviewed the City's finances for the fourth quarter of the 2025 fiscal year. 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 staff also ensures the expenditures are being properly recorded and are in line with the budget adopted by City Council. Any discrepancies are addressed by staff. The attachment includes information on revenues and expenditures through the fourth 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	<u>3.5 months</u> of recurring operating expenditures	\$6,008,916	\$13,177,537	Yes
Hotel/Motel Tax Fund Balance	<u>3.5 months</u> of recurring operating expenditures	376,933	1,556,760	Yes
Water / Wastewater Unreserved Working Capital	<u>3 months</u> of recurring operating expenditures	3,808,951	8,485,087	Yes
Debt Service Fund Balance	<u>5%</u> of total annual debt services requirements	396,699	865,538	Yes

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES WITH A LOW TAX RATE

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:

[FY25 4th Quarter Financial Update.pdf](#)