

ITEM: **FISCAL YEAR (FY) 2022/23 YEAR-END BUDGET REPORT AND RELATED AMENDMENTS AND AMENDMENTS TO THE FISCAL YEAR 2023/24 BUDGET**

RECOMMENDATION: **Adopt Resolution Approving the FY 2022/23 Year-End Report and Related Budget Amendments and Amending the FY 2023/24 Budget**

SUMMARY:

In June 2021, City Council adopted their Biennial Budget for fiscal years 2021/22 and 2022/23 by Resolution No. 21-4885. Staff has continued to present Council budget updates through the formal Mid-Year and Year-End reviews and budget amendments. At the end of Year 2 of the biennial budget, the General Fund unallocated fund balance at June 30, 2023 was estimated at \$8.7 million. Higher than projected property and sales tax collections combined with lower than budgeted expenditures due to operational efficiencies and salary savings from vacant positions have resulted in a General Fund surplus at the end of fiscal year (FY) 2022/23.

Staff recommends applying approximately \$11.0 million in FY 22/23 surplus funds to the following unfunded liabilities:

- Transfer \$7.0 million to the Street Repair Reserves to maintain deteriorating City roads.
- Transfer \$3.0 million to the Landscape Reserves to fund City wide landscape projects.
- Transfer \$1.0 million to the Retirement Stabilization Reserves to set aside funds for future retirement unfunded liability.

With the proposed uses of the fund balance unassigned reserves, the estimated General Fund Balance at June 30, 2023 is \$8.9 million or 28% of actual operating expenditures. The estimated fund balance remains above the 25% recommended target.

In addition, staff is proposing amendments to the City Clerk's budget. The proposed adjustments in the amount of \$11,500 is due to increases in closed captioning costs. In mid FY 2022/23, all City commission meetings were moved to council chambers to provide closed captioning services in order to comply with ADA requirements.

BACKGROUND:

In June 2021, City Council adopted their Biennial Budget for fiscal years 2021/22 and 2022/23 by Resolution No. 21-4885. Staff has presented to Council updates on the budget during the Mid-Year and Year-End Budget reviews. At the end of Year 2 the projected (unaudited) General Fund Balance at June 30, 2023 was estimated at \$8.7 million. At year-end, revenues and expenditures are again reviewed and amendments are proposed as needed. After conducting a thorough review, the City

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received higher than expected property and sales tax collections combined with lower than projected expenditures due to operational efficiencies and salary savings from vacant positions resulted in a General Fund surplus at fiscal year-end.

Staff recommends applying approximately \$11 million in FY 22/23 surplus funds to designated unfunded liability accounts as identified in the General Fund Reserves/ Fund Balance Section below.

GF Reserves/ Fund Balance:

Staff recommends applying approximately \$11.0 million in FY 22/23 surplus funds to the following unfunded liabilities:

- Transfer \$7 million to the Street Repair Reserves to maintain deteriorating City roads.
- Transfer \$1 million to the Landscape Reserves to fund city wide landscape projects.
- Transfer \$1 million to the Retirement Stabilization Reserves to set aside funds for future retirement unfunded liability.

With the proposed uses of the Fund Balance Unassigned reserves above, the estimated General Fund Balance at June 30, 2023 is \$8.9 million or 28% of actual expenditures. The estimated fund balance remains above the 25% recommended target.

In addition, staff is proposing amendments to the City Clerk's budget. The proposed adjustments in the amount of \$11,500 is due to increases in closed captioning costs. In mid FY 2022/23, all City commission meetings were moved to council chambers to provide closed captioning services in order to comply with ADA requirements.

Year-End Transfer Requests

As part of the Biennial Budget process approved by Council in June 2021, a mid-cycle review is conducted on the second year's programmed allocations (Year 2 or FY 2023). The Year-End Budget Report includes budget transfers reflecting transfers between funds to accommodate changes to Capital Improvement Projects (CIP's) revenues, expenses and staffing in the fiscal plan.

REASON FOR RECOMMENDATION:

The recommended FY 2022/23 budget amendments result from changes in estimates and activity through June 30, 2023, and are necessary in order for the City to meet auditing and budgetary requirements.

In addition, setting aside funds for Street Repair, Landscaping, and Retirement Stabilization Reserves will allow the City to be proactive in its approach to these areas without affecting its structure and core services.

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FISCAL IMPACTS:

The FY 2022/23 and FY 2023/24 budget amendments are as follows:

FISCAL YEAR 2022/23		
REVENUE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
Measure C – City Services	1060-19-10-313-03-00	\$4,024,137
Federal Grants	2150-80-00-333-05-00	(376,484)
CFD 2013-1 – RI Services	2640-50-68-355-01-25	497,610
CIP GG2201 – Developers	2710-80-00-372-01-00	68,425
CIP PS1404 – Developers	2710-80-00-372-01-00	1,432,567
Revenue Total:		\$5,646,255
EXPENDITURE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
General Fund – City Clerk	1010-12-10-410-11-00	\$11,500
General Fund – Public Works	1010-50-01-420-01-00	214,508
General Fund – Maintenance Srvcs	1010-30-05-420-01-00	(29,500)
General Fund – Maintenance Srvcs	1010-30-05-420-25-00	(51,000)
General Fund – Maintenance Srvcs	1010-30-20-420-01-00	(90,000)
General Fund – Maintenance Srvcs	1010-30-20-420-25-00	(44,008)
Street Fund – CIP PS2112	2080-30-10-420-30-00	(154,090)
Measure C - LMFD	2010-19-20-425-16-00	1,768,010
Culture & Leisure CFF Fund – Reimb	2260-80-00-440-50-00	7,819,057
W/C Lathrop CFF Fund – Reimb.	2320-80-00-440-50-00	457,122
RTIF CFF Fund – Reimbursement	2360-80-00-440-50-00	883,826
CIP GG2201 – Developer	3010-80-00-420-12-00	68,425
CIP PS2112 – Streets	3310-80-00-420-12-00	154,090
CIP PS2112 – Federal Grants	3310-80-00-420-01-00	(376,484)
CIP PS1404 – Developers	3310-80-00-420-12-00	1,432,567
Expenditure Total:		\$12,064,023
TRANSFER IN – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
General Fund – CFD 2023-1	1010-99-00-393-00-00	95,000
Measure C – LMFD	2010-99-00-393-00-00	\$1,768,010
CIP PS2112 – Streets	3310-99-00-393-00-00	154,090
CIP PS1404 – Developers	3310-99-00-393-00-00	1,432,567
Transfer In Total:		\$3,354,667

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TRANSFER OUT – BUDGET AMENDMENTS [Increase/(Decrease)]		
Source	GL Account	Amount
Measure C – City Services	1060-99-00-990-90-10	\$1,768,010
CIP PS2112 – Streets	2080-99-00-990-90-10	154,090
CFD 2023-1 – RI Services	2640-99-00-990-90-10	95,000
CIP PS1404 – Developers	2710-99-00-990-90-10	1,432,567
Transfer Out Total:		\$3,354,667
FUND BALANCE RESERVES – BUDGET AMENDMENTS [Increase/(Decrease)]		
Source	GL Account	Amount
General Fund – Street Repair	1010-251-03-00	\$7,000,000
General Fund – Retirement	1010-251-06-00	1,000,000
General Fund – Landscape	1010-251-07-00	3,000,000
Fund Balance Reserves Total:		\$11,000,000
FISCAL YEAR 2023/24		
REVENUE – BUDGET AMENDMENTS (YEAR 1) [Increase/(Decrease)]		
Source	GL Account	Amount
State Grant – GF	2160-80-00-331-05-00	\$32,792
State Grant – CIP PK2002	2160-80-00-331-05-00	14,668
Federal Grant – CIP PK2002	2150-80-00-331-05-00	(\$163,273)
State Grant – CIP PK2002	2160-80-00-331-05-00	163,273
State Grant – CIP PW2236	2160-80-00-331-05-00	(1,500,000)
DWR Grant – CIP PW2236	2900-80-00-331-05-00	1,500,000
Expenditure Total:		\$47,460
EXPENDITURE – BUDGET AMENDMENTS (YEAR 1) [Increase/(Decrease)]		
Source	GL Account	Amount
Community Development	1010-20-10-420-01-00	\$32,792
CIP GG2022 – GF	3010-80-00-420-12-00	(57,139)
CIP GG2019 – GF	3010-80-00-420-12-00	57,139
CIP PK2002 – State Grant	3010-80-00-420-12-00	14,668
CIP PS2218 – Measure K – Pedes	3310-80-00-420-12-00	(39,709)
CIP PS2218 – Measure K – Pedes	3310-80-00-420-12-00	39,709
CIP RW1916 – Developer	6091-80-00-420-01-00	(83,342)
CIP RW2416 – Developer	6091-80-00-420-86-00	83,342
Expenditure Total:		\$47,460
TRANSFER IN – BUDGET AMENDMENTS [Increase/(Decrease)]		
Source	GL Account	Amount
General Fund – State Grant	1010-99-00-393-00-00	\$32,792
CIP PK2002 – State Grant	3010-99-00-393-00-00	14,668
CIP PS2218 – Measure K – Pedes	3310-99-00-393-00-00	28,683
Transfer In Total:		\$76,143

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TRANSFER OUT – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
CIP 2218 – Measure K – Pedestrian	2110-99-00-990-90-10	\$28,683
State Grant – GF	2160-99-00-990-90-10	32,792
CIP PK2002 – State Grant	2160-99-00-990-90-10	14,668
CIP PK2002 – Federal Grant	2150-99-00-990-90-10	(163,273)
CIP PK2002 – State Grant	2160-99-00-990-90-10	163,273
CIP PW2236 – State Grant	2160-99-00-990-90-10	(1,500,000)
CIP PW2236 – DWR Grant	2900-99-00-990-90-10	1,500,000
Transfer Out Total:		\$76,143

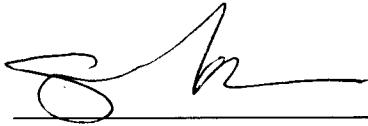
All proposed FY 2022/23 expenditure adjustments have an offsetting revenue stream; therefore, there is no impact to the projected ending fund balance.

ATTACHMENTS:

- A. Resolution Approving the Fiscal Year 2022/23 Year-End Budget Report and Related Amendments and Amending the FY 2023/24 Budget.

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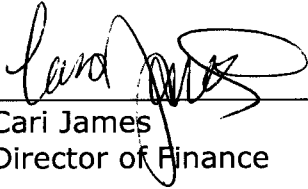
APPROVALS:



Sandra Frias
Senior Management Analyst

9/22/23

Date



Cari James
Director of Finance

9/22/2023

Date



Thomas Hedegard
Deputy City Manager

9/26/2023

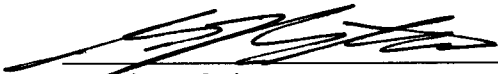
Date



Salvador Navarrete
City Attorney

9.22.2023

Date



Stephen Salvatore
City Manager

9.28.23

Date

RESOLUTION NO. 23-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
 APPROVING THE FISCAL YEAR 2022/23 YEAR-END BUDGET REPORT AND
 RELATED AMENDMENTS AND AMENDING TO THE FISCAL YEAR 2023/24
 BUDGET**

WHEREAS, the City Council of the City of Lathrop adopted the 2021/22 and 2022/23 Expenditure Budget on June 3, 2021 by Resolution No. 21-4885; and

WHEREAS, the City Council of the City of Lathrop has amended the 2022/23 Fiscal Year Expenditure Budget in subsequent actions during the fiscal year; and

WHEREAS, City Staff have proposed amendments to revenues and expenditures to more accurately project estimates for activity in the General Fund and certain other funds; and

WHEREAS, at the end of Year 2 of the biennial budget, the General Fund unallocated fund balance at June 30, 2023 was estimated to be \$8.7 million; and

WHEREAS, higher than projected property and sales tax collections combined with lower than budgeted expenditures due to operational efficiencies and salary savings from vacant positions have resulted in a General Fund surplus at the end of fiscal year 2022/23.

NOW, THEREFORE, BE IT RESOLVED the City Council of the City of Lathrop does hereby approve the year-end budget/ position control amendments to the Fiscal Year 2022/23 and 2023/24 Operating Budget as shown below and provided in the City Manager’s Report;

FISCAL YEAR 2022/23		
REVENUE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
Measure C – City Services	1060-19-10-313-03-00	\$4,024,137
Federal Grants	2150-80-00-333-05-00	(376,484)
CFD 2013-1 – RI Services	2640-50-68-355-01-25	497,610
CIP GG2201 – Developers	2710-80-00-372-01-00	68,425
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CIP PW2236 – DWR Grant	2900-99-00-990-90-10	1,500,000
Transfer Out Total:		\$76,143

The foregoing resolution was passed and adopted this 9th day of October 2023, by the following vote of the City Council, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney