

City of Lathrop

Fiscal Year 2025/2026 Mid-Year Budget Review

MARCH 09, 2026

ITEM #5.4





Overview

- In June 2025, the City Council adopted the Biennial Budget for Fiscal Years 2025/26 and 2026/27.
- At the mid-point of the fiscal cycle for Year 1 (FY 2026), staff is providing an update to Council on the City's current financial status.
- The primary focus of this report is on the General Fund, which accounts for a majority of the City's discretionary expenditures.
- Items for Council review include:
 - Amendments to Year 1 of the Biennial Budget:
 - Program Requests
 - New/Revised Job Descriptions
 - Amended Grade Step Table
 - Amended Position Control Roster



Mid-Year Update

- **Revenue**

- Property tax revenues are trending higher than originally projected.
 - Staff recommends increasing by \$300k.
- Staff will continue monitoring revenue performance through FY 2026 and recommend additional adjustments if needed.



Mid-Year Update

◦ **Expenditures**

- To align expenditures with current operational needs, staff proposes an increase of \$206k.
 - \$26k - Prior authorized one time increase for City Manager, City Attorney and the Police Chief contracts.
 - \$4.6k – Increase in auto repair cost for vehicles involved in accident.
 - \$48k – Vehicle purchase for ISD offset by a transfer from the Equipment Replacement Reserve.
 - \$39k – Replacement of the marquee at the Community Center to be offset by a transfer from equipment replacement.
 - \$6.8k - Fleet Division to account for rising maintenance costs.
 - \$60k - Program expenditures offset my participation revenues.
 - \$10k - Rental cost associated with City sponsored events.
 - \$3.5k – Police K9 vet costs.
 - \$8k – In OT for Dell’Osso Farms services offset by revenue received.



Mid-Year Staffing Requests

- **Public Works**

- Reclass City Engineer to Public Works Director/City Engineer.
 - Annual Cost \$19k.

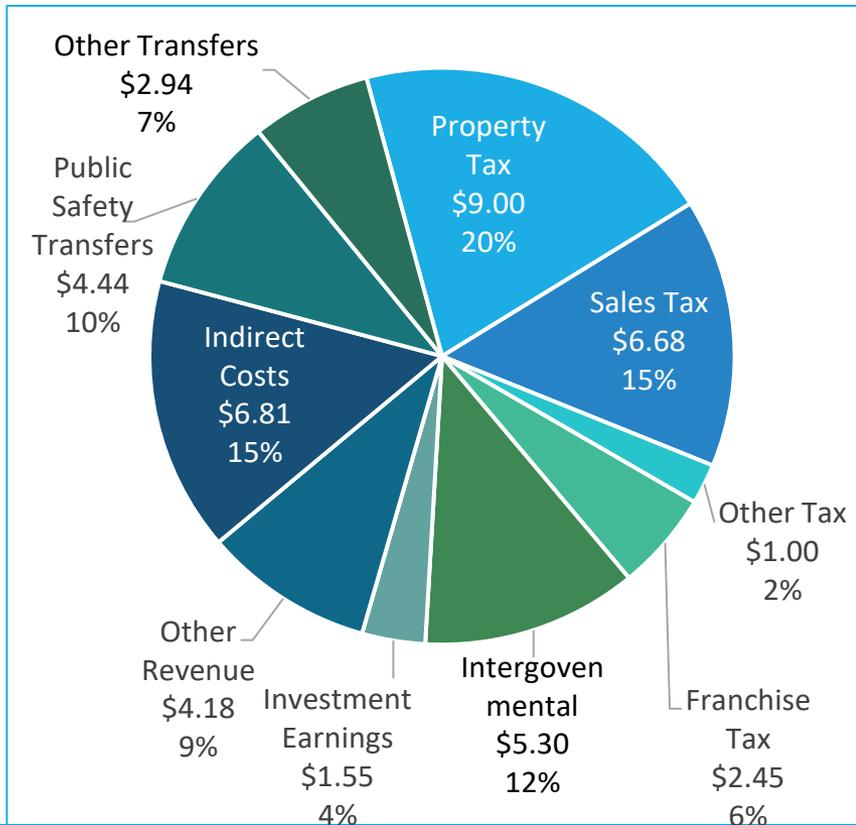
- **Parks and Recreation**

- Add 1.35 FTE Recreation Leaders
 - Due to new insurance requirements in California related to youth sports officiating, the City must transition from using contracted officiating services to utilizing part-time City staff.
 - This change is budget neutral, as the positions will be funded using the same funds previously allocated for contract officiating.

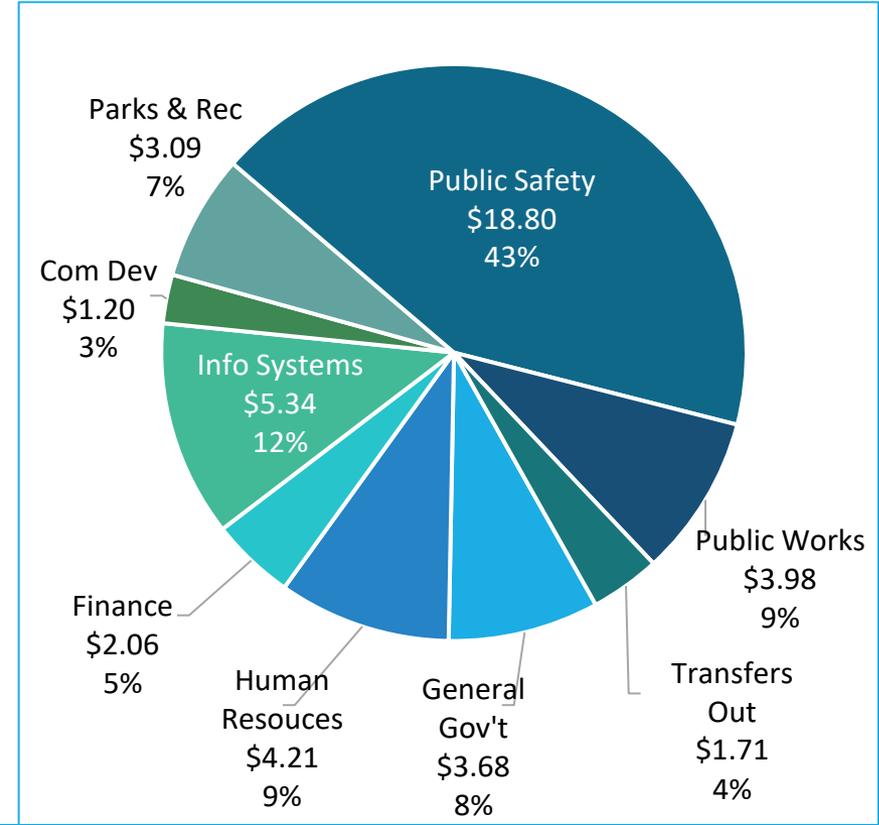


Balanced General Fund Budget

REVENUE \$44.4 MILLION



EXPENDITURES \$44.1 MILLIONS



General Fund Summary

- Current revenue trends in property tax seem favorable and will be evaluated at the end of Year 1 (FY 2026) to recommend additional adjustments to projections if needed.
- Expenditures are project to end the year at \$47.4 million.
- The City's Reserve Policy has established an acceptable reserve balance range of 10%-50%. Currently, the unallocated Fund Balance is 21% of operating Expenses.
- Staff will continue to update Council as additional financial and economic data becomes available.



General Fund Mid-Year Request Summary		
(in millions)	FY 2026 Adopted Budget	FY 2026 Mid-Year Requests
Begin Balance	\$8.7	\$8.9
Revenue	\$43.8	\$44.4
Expenditures	\$43.4	\$44.1
Unallocated Fund Balance	\$9.1	\$9.2



Notable Mid-Year Non General Fund Program Requests

- Adjustments proposed to align credit card processing fees with the funds where revenues are generated.
 - \$140k – Building Fund fixed charges
 - \$95k - Water Fund fixed charges
 - \$95k – Sewer Funds fixed charges



Council Actions

Staff recommends the City Council:

- Adopt the proposed resolution amending Year 1 (FY 2026) of the adopted Biennial Budget for various funds and projects as identified.
- Approve New & Revised Job Descriptions
- Amend the City's Grade Step Table
- Amend the City's Position Control Roster