

**ITEM: FISCAL YEAR (FY) 2020/21 YEAR-END BUDGET
REPORT AND RELATED AMENDMENTS**

**RECOMMENDATION: Adopt Resolution Approving the FY 2020/21 Year-
End Report and Related Budget Amendments**

SUMMARY:

In June 2019, City Council adopted their second Biennial Budget for fiscal years 2019/20 and 2020/21 by Resolution No. 19-4591. Staff has continually presented to Council budget updates through the formal Mid-Year review and budget amendments. At the Year 2 Mid-Year Report, the projected General Fund Balance at June 30, 2021 was estimated at \$8.6 million. 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 \$7 million in prior year's funds to currently identified unfunded liabilities as follows:

- Transfer \$2 million to the Capital Equipment Replacement account to replenish depleted reserves.
- Transfer \$3 million to the Street Repair Reserves to maintain deteriorating City roads.
- Transfer \$1 million to the Landscape Reserves to fund several projects around the city.
- Allow \$1 million to remain in unallocated fund balance for the pending Proposed CIP GG22-35 Camera Surveillance System for major City Parks.

With the proposed uses of the Fund Balance Unassigned reserves above, the estimated General Fund Balance at June 30, 2021 is \$8.3 million or 34% of actual expenditures. The estimated fund balance remains above the 25% recommended target.

Through the passage of H.R. 1319, the American Rescue Plan Act (ARPA), state, tribal and local governments are expected to receive billions in much needed assistance to help offset the negative impacts of COVID-19. Lathrop is currently situated to receive \$5.8 million which is an increase of almost \$1.5 million from the original estimated allocation of \$4.3 million.

The funds will be received in 2 equal installments one year apart, the first allocation of \$2.9 million was received in July 2021, and the final installment is expected one year later in July 2022. Staff will facilitate a future discussion on a spending plan for ARPA funds. All funds must be spent by the end of calendar year 2024.

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SEPTEMBER 13, 2021 CITY COUNCIL REGULAR MEETING
FISCAL YEAR (FY) 2020/21 YEAR-END BUDGET REPORT AND RELATED
AMENDMENTS

BACKGROUND:

In June 2019, City Council adopted their second Biennial Budget for fiscal years 2019/20 and 2020/21 by Resolution No. 19-4591. Staff has presented to Council updates on the budget during the Mid-Year Budget review. At the Year 2 Mid-Year Report, the projected General Fund Balance at June 30, 2021 was estimated at \$8.6 million. At year-end, revenues and expenditures are again reviewed and amendments are proposed as needed. After conducting a thorough review, the City 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 and cost savings efforts.

With Year-End information now available, budget amendments are request to reflect actual revenue receipts and expenditure trends. At June 30, 2021, the recommended budget amendments totaled \$2.2 million: \$5.2 million from higher revenues, \$3 million due to higher expenditures, and \$2 million from offsetting Transfers In/Out. The revenue adjustments of \$5.2 million are due to increased Measure C receipts and Capital Facility Fees (Levee Impact Fee and County's RTIF). The increased expenditures of \$2.8 million have a corresponding revenue stream; therefore, these expenditures have no impact on the existing available fund balance.

Staff recommends applying approximately \$7 million in prior year's funds to designated unfunded liability accounts as identified in the General Fund Reserves/ Fund Balance Section as follows:

GF Reserves/ Fund Balance:

Apply approximately \$7 million in prior year's funds to designated unfunded liability accounts as follows:

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- Transfer \$3 million to the Street Repair Reserves to maintain deteriorating City roads.
- Transfer \$1 million to the Landscape Reserves to fund several projects around the city.
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With the proposed uses of the Fund Balance Unassigned reserves above, the estimated General Fund Balance at June 30, 2021 is \$8.3 million or 34% of actual expenditures. The estimated fund balance remains above the 25% recommended target.

Through the passage of H.R. 1319, the American Rescue Plan Act (ARPA), state, tribal and local governments are expected to receive billions in much needed assistance to help offset the negative impacts of COVID-19. Lathrop is currently situated to receive

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\$5.8 million which is an increase of almost \$1.5 million from the original estimated allocation of \$4.3 million.

The funds will be received in 2 equal installments one year apart, the first allocation of \$2.9 million was received in July 2021 (for FY 2021), and the final installment is expected one year later in July 2022. Staff will facilitate a future discussion on a spending plan for ARPA funds. All funds must be spent by the end of calendar year 2024.

REASON FOR RECOMMENDATION:

The recommended FY 2020/21 budget amendments result from changes in estimates and activity through June 30, 2021, and are necessary in order for the City to meet auditing and budgetary requirements.

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

FISCAL IMPACTS:

The FY 2020/21 budget amendments are as follows:

FISCAL YEAR 2020/21		
REVENUE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
Measure C – City Services	1060-1910-313-03-00	\$3,800,256
CIP PS1801 – Public Transit	2120-1510-361-01-00	150
COPS – Department of Justice	2220-4016-333-02-00	46,700
RTIF – San Joaquin County	2350-5010-318-01-00	263,470
RTIF – Council of Governments	2370-5010-318-01-00	395,200
CIP PS0606 – Developers	2710-8000-372-01-00	454,454
DDA 190138 – Developers	4150-8999-371-91-00	206,770
Revenue Total:		\$5,167,000
EXPENDITURE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
Measure C - LMFD	2010-1920-425-16-00	\$1,542,550
COPS – Department of Justice	2220-4016-430-37-00	2,500
RTIF – San Joaquin County	2350-5010-440-40-00	263,470
RTIF – Council of Governments	2370-5010-440-40-00	395,200
CLSP CFD 2019-12 – Other Maint.	2680-5050-420-75-00	25,150
CLSP CFD 2019-12 – Utilities	2680-5050-430-49-00	72,000
CIP PS1801 – Public Transit	3310-8000-420-12-00	72
CIP PS0606 – Developers	3310-8000-420-12-00	454,454
CIP PS0204 – LTF	3310-8000-420-12-00	3,834

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DDA 190138 - Developers	4150-8999-420-01-00	206,770
Expenditure Total:		\$2,966,000
TRANSFER IN - BUDGET AMENDMENTS [Increase/(Decrease)]		
<u>Source</u>	<u>GL Account</u>	<u>Amount</u>
Measure C - LMFD	2010-9900-393-00-00	1,542,550
CIP PS1801 - Public Transit	3310-9900-393-00-00	72
CIP PS0606 - Developers	3310-9900-393-00-00	454,454
CIP PS0204 - LTF	3310-9900-393-00-00	3,834
Transfer In Total:		\$2,000,910
TRANSFER OUT - BUDGET AMENDMENTS [Increase/(Decrease)]		
<u>Source</u>	<u>GL Account</u>	<u>Amount</u>
Measure C - City Services	1060-9900-990-90-10	\$1,542,550
CIP PS1801 - Public Transit	2120-9900-990-90-10	72
CIP PS0204 - LTF	2140-9900-990-90-10	3,834
CIP PS0606 - Developers	2710-9900-990-90-10	454,454
Transfer Out Total:		\$2,000,910
FUND BALANCE RESERVES - BUDGET AMENDMENTS [Increase/(Decrease)]		
<u>Source</u>	<u>GL Account</u>	<u>Amount</u>
General Fund - Capital Equipment	1010-0000-243-00-00	\$2,000,000
General Fund - Street Repair	1010-0000-251-03-00	3,000,000
General Fund - Landscape	1010-0000-251-07-00	1,000,000
Fund Balance Reserves Total:		\$6,000,000

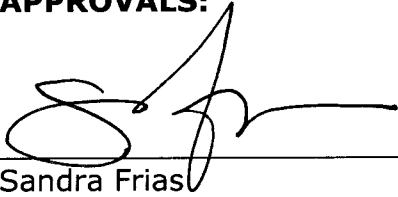
All proposed FY 2020/21 expenditure adjustments have an offsetting revenue stream; therefore, there is no impact to the projected ending fund balance.

ATTACHMENTS:

- A. Resolution Approving the Fiscal Year 2020/21 Year-End Budget Report and Related Amendments.

CITY MANAGER'S REPORT
SEPTEMBER 13, 2021 CITY COUNCIL REGULAR MEETING
FISCAL YEAR (FY) 2020/21 YEAR-END BUDGET REPORT AND RELATED
AMENDMENTS

APPROVALS:



Sandra Frias
Senior Management Analyst

9/9/2021

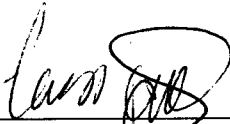
Date



Thomas Hedegard
Deputy Finance Director

9/9/2021

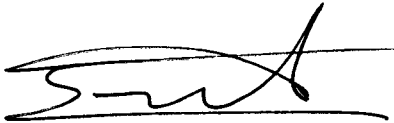
Date



Cari James
Director of Finance &
Administrative Services

9/9/2021

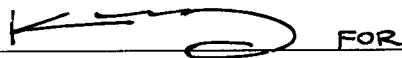
Date



Salvador Navarrete
City Attorney

9-9-2021

Date

 FOR

Stephen Salvatore
City Manager

9-9-2021

Date

RESOLUTION NO. 21-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
APPROVING THE FISCAL YEAR 2020/21 YEAR-END BUDGET REPORT AND
RELATED AMENDMENTS AND AMENDMENTS TO THE FISCAL YEAR 2021/22
BUDGET**

WHEREAS, the City Council of the City of Lathrop adopted their second Biennial Budget for fiscal years 2019/20 and 2020/21 by Resolution No. 19-4591; and

WHEREAS, the City Council of the City of Lathrop has amended the 2020/21 Fiscal Year Expenditure Budget in subsequent actions during the fiscal year; and

WHEREAS, an overview of the City’s mid-year financial condition for Fiscal Year 2020/21 was presented to the City Council; 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, the City Council recognizes the need for budgetary amendments.

NOW, THEREFORE, BE IT RESOLVED the City Council of the City of Lathrop does hereby approve the year-end budget amendments to the Fiscal Year 2020/21 and 2021/22 Operating Budget as shown below:

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REVENUE – BUDGET AMENDMENTS		
[Increase/(Decrease)]		
Source	GL Account	Amount
Measure C – City Services	1060-1910-313-03-00	\$3,800,256
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General Fund – Landscape	1010-0000-251-07-00	1,000,000
Fund Balance Reserves Total:		\$6,000,000

The foregoing resolution was passed and adopted this 13th day of September, 2021, by the following vote of the City Council, to wit:

AYES:

NOES:

ABSENT:

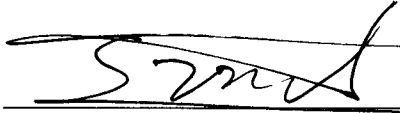
ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney