



City of Lathrop Fiscal Year (FY) 2022 Year-End Budget Report and Related Amendments

Item 5.4

October 10, 2022



General Fund Year-End Status



Revenues:

- Economic development paired with smart and strategic growth in the past two years has led to increased property tax and sales tax receipts. The growth of commercial real estate along with the highly technical unsecured property that occupies the distribution facilities has delivered property tax and sales taxes that have exceeded the budget that was established during the pandemic. This growth resulted in an operating revenue surplus of \$11.3 million over the budgeted amount. This amount includes the \$2.9 million in American Rescue Plan Act (ARPA) funding that was recorded in Fiscal Year 2022

Expenditures:

- The City experienced budget savings by constantly seeking value through planning properly and executing consistently. These operational efficiencies have equated to expenditure savings of about \$1.1 million. Payroll savings occurred by doing more with less through collaborating across departments to best identify and put to work unused employee talent.

General Fund Reserves (Unaudited):

- As of July 1, 2022, the current General Fund Unallocated Reserve total, after staff recommended uses, is approximately \$9.1 million or 32% of targeted levels.
- Staff recommends applying prior year's savings to the categories outlined in the City Manager's Report, this action will also establish an Animal Shelter reserve that will aim to establish the City's first ever owned and operated Animal Shelter.

Animal Shelter Project

- The City of Lathrop has contracted for Animal Shelter services with the City of Manteca for the use of Manteca's Animal Shelter since 2002.
- In October of 2021, the City signed a one-year agreement with the City of Manteca to provide Lathrop with one final year of animal shelter services. At that time, the City of Manteca advised staff that Manteca would need to begin transitioning away from providing animal shelter services to Lathrop. The agreement that was signed in October of 2021 stated that "the Parties recognize, acknowledge, and agree that this shall be the last contract and term between the Parties for Manteca to provide the services described herein to Lathrop".
- The 2005 Municipal Services Fee study identified that Lathrop would need an animal shelter facility to serve the community. After the 2005 study a capital facility fee has been collected on all new development with a portion being attributed to the future animal shelter facility. Staff has continued to research alternate Animal Shelter options knowing that the Manteca contract was sunseting this year.
- By having our own facility, it will enable Lathrop to make decisions that our community has long been at the will of neighboring communities to how they operate their facilities. The \$8 million that will be set aside from prior year funds for the Animal Shelter will be reimbursed by future collection of municipal service facilities capital facility fees.

American Rescue Plan Act (ARPA)



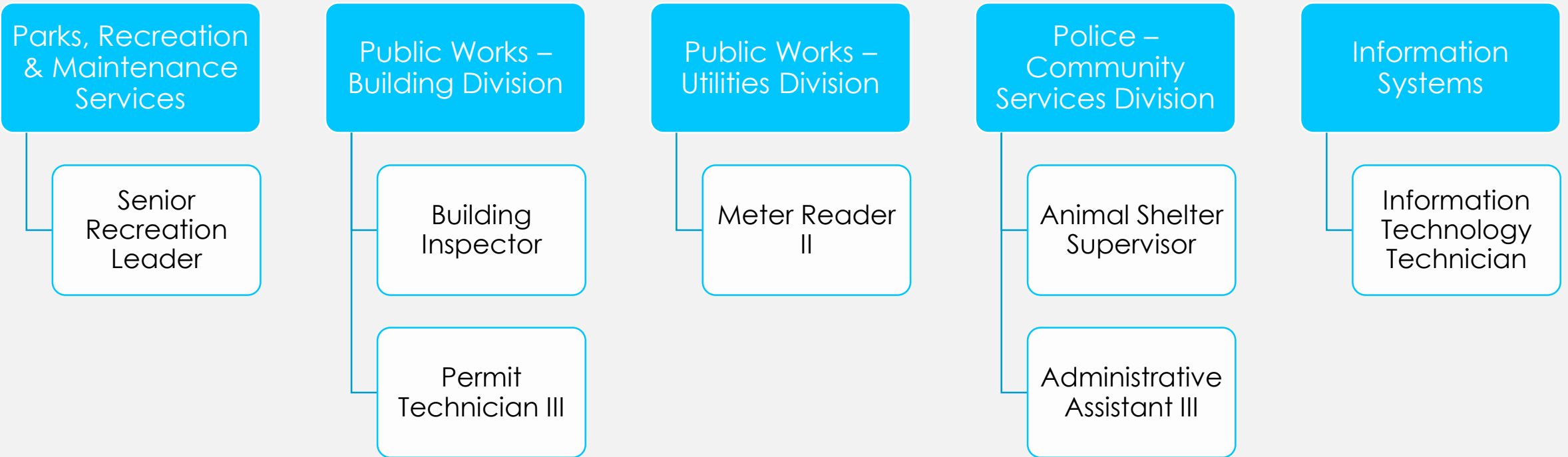
- The City has received and reported \$5.8 million in revenue replacement as part of the ARPA (\$2.9M in prior FY22 and \$2.9M in current FY23).
- General fund revenue replacement is an expenditure category that gives the Council broad latitude to use funds to provide government services with few restrictions.
- Revenue replacement provides maximum flexibility on how the City ultimately uses funds to meet the needs of its residents and local businesses and without additional reporting requirements to the Department of the Treasury.

ARPA Funding

- The macroeconomy is becoming less predictable with inflation hitting rates not seen in decades.
- Predicting precisely when the next recession will occur is nearly impossible but inevitable.
- Staff is seeking guidance on the use of the ARPA funds proposing two possible options.
- One option is to allocate the ARPA funds to a dedicated reserve account that will be used to bridge funding gaps that may occur due to inflationary related increased costs.
- The second option would be to hold a future workshop to budget these funds for immediate use as the Council sees fit.



Year-End Staffing Requests



General Fund Summary



GENERAL FUND YEAR-END REQUESTS SUMMARY

<i>(in millions)</i>	FY 2022 Budgeted	FY 2022 Year- End (Unaudited)	Variance
Revenue (Includes beginning GF unallocated)	\$38.5	\$49.8	+\$11.3
Expenditures	\$29.6	\$28.5	-\$1.1
Street Repair Reserve		\$2.0	+\$2.0
Animal Shelter Reserve		\$8.0	+\$8.0
American Rescue Plan Act		\$2.9	+\$2.9
Unallocated Fund Balance	\$8.9	\$9.1	+ \$0.2

The City's Reserve Policy has established an acceptable reserve balance range of 10%-50% of operating expenditures, with a primary goal of 50%.

- Current projected unallocated Fund Balance is 32% of operating Expenses



Council Action

Staff recommends that the City Council:

- Adopt the proposed resolution approving the FY 2021/22 Year-End Report and related budget amendments and amending the FY 2022/23 Budget.
- Approve proposed new and revised Job Descriptions (Attachment C-G)
- Amend the City's Position Control Roster (Attachment B)
- Amend the City's Grade Step Table (Attachment H)



QUESTIONS?