

**ITEM: BIENNIAL BUDGET FISCAL YEAR (FY) 2018 – 2019
MID-YEAR REPORT (YEAR 2)**

**RECOMMENDATION: Adopt a Resolution Accepting the Biennial Budget
FY 2018/19 Mid-Year Report (Year 2)**

SUMMARY:

As part of the Biennial Budget process approved by Council in June 2017, a mid-cycle review is conducted on the second year's programmed allocations (Year 2 or FY 2019). The mid-cycle financial review (as of December 31, 2018) provides a budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2018 measures the budget's adherence to the Adopted Budget. The primary focus of the report is on the General Fund, which accounts for a majority of the City's basic administrative operations.

At Mid-Year, a \$138.7 thousand appropriation adjustment for the General Fund is requested to align the City's expenditures with its current operating needs. The additional expenditures derived from administrative costs needed to enhance the City's Economic Development efforts, the replacement of a damage police motorcycle, and the emergency repair of the Crossroads Storm Drain Line.

Staff recommends that the City Council amend Year 2 (FY 2019) of the Adopted Biennial Budget for various funds and projects as identified in Attachment B.

BACKGROUND:

As part of the Biennial Budget process approved by Council in June 2017, a mid-cycle review is conducted on the second year's programmed allocations (Year 2 or FY 2019). The mid-cycle financial review (as of December 31, 2018) provides a budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2018 measures the budget's adherence to the Adopted Budget. In limited instances, budget actions are recommended in this report to address unforeseen events at the time the budget document was produced and adopted.

The Mid-Year Budget Report for FY 2019 is presented in two categories:

- **General Fund Mid-Year Status:** provides an overview of the general fund revenue, expenditures, and fund balance performance compared to the fiscal plan.
- **Mid-Year Requests:** summarizes staff's recommendations to amend the fiscal plan to address program needs or perform technical adjustments.

General Fund Mid-Year Status

Most of the City's administrative expenditures are supported by the General Fund. After six months' experience in Year 2 of the Biennial Budget, Council has approved General Fund budget amendments of \$1,521,433 in revenue and \$1,934,643 in expenditures resulting in a General Fund Balance Reserves decrease of \$413 thousand to a projected balance of \$7.5 million at June 30, 2019.

Revenues:

Overall, staff is projecting General Fund revenues will finish the year as projected in the Amended Biennial Budget approved by Council at \$19.9 million. Current revenue trends in Property Tax and Sales Tax seem favorable and will be evaluated at the end of Year 2 (FY 2019) to recommend adjustments to our projections if needed.

Expenditures:

General Fund expenditures are greater than the amended budget level with an increase of \$160,660 offset by additional revenues of \$21,980 for a total appropriation increase of \$138,680. Expenditures have increased as the result of unanticipated administrative costs to enhance the City's Economic Development efforts, the replacement of a damaged police motorcycle, additional emergency repairs to the Crossroads Storm Drain Line.

GF Reserves/Fund Balance:

The City's General Fund Reserve provides some flexibility to address one-time priority programs, smooth out economic swings, buffer the loss of state and federal revenues, and temporarily support City operations in the event of a catastrophic event (such as an earthquake or fire). At Year-End for FY 2018, staff reported a General Fund Reserves balance of \$7.9 million. With the Council approved amendments to FY 2018/19 Budget, Staff is projecting a General Fund Reserves balance of \$7.4 million at the end of FY 2019.

Mid-Year Requests

As part of the Biennial Budget process approved by Council in June 2017, a mid-cycle review is conducted on the second year's programmed allocations (Year 2 or FY 2019). The Mid-Year Budget Report includes budget amendments reflecting changes to revenues and expenses in the first six months of Year 2 (FY 2019). Adjustments to the fiscal plan are grouped by Program/Project Requests and Technical Adjustments as follows:

Program/Project Requests

The following program/project requests require additional funding to address a specific need:

General Fund

- Professional Services (Economic Development – increase \$100,000): The Economic Development Department requests an appropriation increase of \$100 thousand to cover professional service costs to be able to assist the City's Economic Development efforts.

- Motorcycle Replacement and Uniform (Police Service – increase \$37,160): The Police Service Department requests an appropriation increase of \$37 thousand to replace a damaged motorcycle and new police uniforms.
- Crossroads Storm Drain Line (Public Works – increase \$23,500): The Public Works Department requests an appropriation increase of \$23.5 thousand to subsidize additional emergency repairs to the Crossroad Storm Drain Line (CIP SD18-13).

Measure C

- Police Services Contract (Public Safety – increase \$118,900): The City requests an appropriation increase of \$119 thousand to add a Sergeant position funded through the Measure C fund.

Special Revenue

- Maintenance Districts (Districts – increase \$250,300): The City requests an appropriation increase of \$345 thousand offset by revenues of \$95 thousand for a net increase of \$250 thousand for landscaping services, corrosion testing in various City parks, and water usage charges.
- Streets (Streets – increase \$31,000): The City requests an appropriation increase of \$31 thousand for various road and sidewalk repairs.

Technical Adjustments

These actions are recommended to align the budget levels with previously approved Council actions or fix inadvertent oversights from the approved Adopted budget as follows:

Special Revenue – Grants

- Office Traffic Safety (OTS) Grant (Police Services – decrease \$39,700): The Lathrop Police Services Department was only awarded \$54,000 OTS funds. As a result, revenue and appropriations will decrease approximately \$40 thousand.

Capital Improvement Projects (CIPs)

- CIP GG19-08 Police Building (Police Services – increase \$1,074,000): The Police Services Department will redirect \$244 thousand previously budgeted in their O&M budget to the New Capital Improvement Project GG19-08 to be used for additional unanticipated cost for the new Police Building. In addition, \$830 thousand will be redirected from Capital Facilities Fees (CFFs) for the eligible land purchase for the future police building.
- CIP PW13-08 Water Meter (Water – increase \$325,000): The City requests an appropriation increase of \$325 thousand to continue the upgrade and replacement of water meters citywide.

Mid-Year Budget Adjustments Summary

Fund	Revenues	Expenditures	Total
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
General Fund	\$21,980	\$160,660	\$138,680
Measure C		118,900	118,900
Special Revenue			
Streets		31,000	31,000
OTS Grant	(39,700)	(39,700)	-
Various Districts	95,000	345,300	250,300
Capital Improvement Projects (CIPs)			
General	1,074,000	1,074,000	-
Storm Drain	23,500	23,500	-
Water	325,000	325,000	-
Total Adjustments	\$1,499,780	\$2,038,660	\$538,880

REASON FOR RECOMMENDATION:

The Mid-Year Budget Report provides an opportunity to make adjustments in order to be in alignment with the budget forecast.

COUNCIL GOALS ADVANCED BY THIS AGENDA ITEM:

The Mid-Year Budget Report adheres to the established City Council's goal to achieve long-term financial solvency.

FISCAL IMPACT:

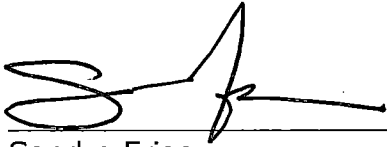
The Mid-Year Budget Report provides the City Council a periodic update on the City's Biennial Budget FY 2017/18 & 2018/19. Program requests totaling \$138,680 thousand are recommended to be funded from General Fund Reserves.

ATTACHMENTS:

- A. Resolution Accepting the Biennial Budget FY 2018/19 Mid-Year Report (Year 2)
- B. Summary of FY2017/18 and 2018/19 Mid-Year Budget Amendments (Year 2)

CITY MANAGER'S REPORT
FEBRUARY 11, 2019 CITY COUNCIL REGULAR MEETING
BIENNIAL BUDGET FISCAL YEAR 2018 – 2019 MIDYEAR REPORT (YEAR 2)

APPROVALS:



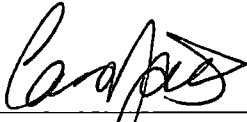
Sandra Frias
Budget Manager

2/6/19
Date

Vanessa L. Portillo

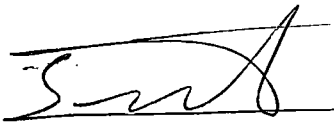
Vanessa L. Portillo
Deputy Finance Director

2.6.19
Date



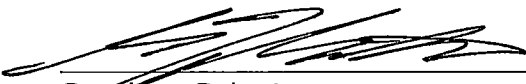
Cari James
Director of Finance

2/6/19
Date



Salvador Navarrete
City Attorney

2-7-19
Date



Stephen Salvatore
City Manager

2.7.19
Date

RESOLUTION NO. 19-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
APPROVING THE MID-YEAR BUDGET REPORT FOR YEAR 2 OF THE
BIENNIAL BUDGET 2017/18 AND 2018/19**

WHEREAS, the City Council of the City of Lathrop adopted the Biennial Budget for Fiscal Year 2017/18 and 2018/19 on June 13, 2017 by Resolution No. 17-4249; and

WHEREAS, Staff proposes amendments to expenditures to more accurately project estimates for activity in the General Fund; and

WHEREAS, the proposed Mid-Year Report recommends using General Fund Unassigned Fund Balance to support administrative costs for Economic Development efforts, replacement of a damaged motorcycle, and emergency repairs to the Crossroads Storm Drain Line totaling \$138,680; and

WHEREAS, the proposed Mid-Year Report recommends amending all other City funds based on changes in revenue and expenditure projections as shown on Attachment B of the Staff Report and adjustments recommended therein;

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Lathrop does hereby approve the Mid-Year Budget Report for Year 2 of the Biennial Budget 2017/18 and 2018/19.

The foregoing resolution was passed and adopted this 11th day of February, 2019, by the following vote of the City Council, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney

**CITY OF LATHROP
MID-YEAR BUDGET ADJUSTMENTS**

ATTACHMENT B

FUND/CATEGORY DESCRIPTION	GL ACCOUNT	INCREASE	(DECREASE)
GENERAL FUND			
Revenue			
Settlement Proceeds	1010-40-10-371-08-00	21,980	
Expenditures			
Professional Services	1010-11-30-420-01-00	100,000	
Professional Services	1010-40-10-420-01-00		(220,700)
Uniforms and Protective Clothing	1010-40-10-430-40-00	3,800	
Computer and Equipment	1010-40-10-450-12-00		(23,300)
Vehicles	1010-40-10-450-30-00	33,360	
Transfer Out GG19-08	1010-99-00-990-90-10	244,000	
Transfer Out SD18-13	1010-99-00-990-90-10	23,500	
MEASURE C			
Expenditures			
Special Contract/Intergov	1060-40-10-425-16-00	118,900	
LOCAL STREETS			
Expenditures			
Machine and Equipment	2080-50-10-450-20-00	31,000	
OTS GRANT			
Revenue			
Other Federal Grants	2190-40-10-333-05-00		(39,700)
Expenditures			
Special Contract/Intergov	2190-40-10-425-10-00		(17,475)
Materials and Supplies	2190-40-10-430-20-00		(7,000)
Miscellaneous Equipment	2190-40-10-430-37-00		(1,294)
Training and Travel	2190-40-10-435-20-00		(5,325)
Machine and Equipment	2190-40-10-450-20-00		(8,606)
CROSSROADS STORM DRAIN ZONE 1A			
Revenue			
Miscellaneous Revenue	2500-50-21-371-90-00	95,000	
Expenditures			
Alarm Services	2500-50-21-420-18-00	7,000	
Communication Equipment Repair	2500-50-21-420-72-00	45,500	
Gas and Electric	2500-50-21-430-49-00	22,000	
Machine and Equipment	2500-50-21-450-20-00	5,000	
Improvements - Nonstructure	2500-50-21-450-38-00	68,000	
MOSSDALE SERVICES CFD 2004-1			
Expenditures			
Professional Services	2570-50-63-420-01-00	12,000	
Street Trees & Landscaping	2570-50-63-420-27-00	80,800	
Communication Equipment Repair	2570-50-63-420-72-00	8,300	
Water	2570-50-63-430-50-00	18,200	
Machine and Equipment	2570-50-63-450-20-00	10,300	
MOSSDALE LANDSCAPE AND LIGHTING DISTRICT			
Expenditures			
Park Maintenance	2580-50-64-420-32-00	68,200	
CAPITAL IMPROVEMENT PROJECTS			
GENERAL CIP			
Revenue			
Transfer in	3010-99-00-393-00-00 GG19-08	1,074,000	
Expenditures			
Transfer out	2270-99-00-990-90-10	830,000	
Professional Services	3010-80-00-420-01-00 GG19-08	220,700	
Machine and Equipment	3010-80-00-450-12-00 GG19-08	23,300	
Land	3010-80-00-450-35-00 GG19-08	830,000	
STORM DRAIN CIP			
Revenue			
Transfer in	3910-99-00-393-00-00 SD18-13	23,500	
Expenditures			
Construction Contracts	3910-80-00-420-12-00 SD18-13	23,500	
WATER CIP			
Revenue			
Increase transfer in	5690-99-00-393-00-00 PW13-08	325,000	
Expenditures			
Increase transfer out	5600-99-00-990-90-10	325,000	
Increase estimated expense - Professional Services	5690-80-00-420-01-00 PW13-08	325,000	

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