

STAFF REPORT

City of Lancaster

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6/10/2025
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Date: June 10, 2025

To: Mayor Parris and City Council Members

From: Trolis Niebla, City Manager
George Harris, Senior Director / Treasurer – Admin Services

Subject: Proposed Fiscal Year 2025-2026 Budgets and Five-Year Capital Improvement Program.

Recommendation:

City Council and City Council acting as Lancaster Housing Authority, Lancaster Choice Energy, and Lancaster Power Authority conduct the public hearing and direct staff to schedule the Proposed Fiscal Year 2025-2026 Budget and Five-Year Capital Improvement Plan (CIP) adoption for June 24, 2025.

G.C. Section 84308: No

Fiscal Impact:

The City of Lancaster Proposed Fiscal Year 2025-2026 Budget and Five-Year CIP totals \$303.5 million, including \$3.4 million for the Capital Improvement Program (CIP).

Background:

City of Lancaster Budget

By July 1 of each year, the City is required to adopt a budget, which establishes appropriations and estimates revenue for the coming fiscal year. The proposed budget is a culmination of many months of work by the City Council and staff in reviewing priorities and evaluating programs, with a focus on maintaining responsive and relevant services for residents.

City Council's priorities addressing:

- Sound fiscal foundation and resilience.
- Protect city infrastructure.
- Public safety.
- Economic development; and
- New facilities, programs, and services.

The following table summarizes the proposed citywide budget:

Expenditures by Category	FY 26 Proposed Budget
Personnel	\$65,296,401
Operations & Maintenance	201,209,077
Capital Outlay/Debt Service	11,958,172
Transfers	21,635,688
Capital Projects	3,430,516
TOTAL	\$303.5 M

Revenues:

Estimating revenues for the upcoming fiscal year and forecasting out-years is essential. By reviewing past years' actual revenue receipts, new revenue sources, fee-based programs, service projections, grant opportunities, and the State's economic outlook, the City can best determine the revenues available for spending allocations.

The City estimates FY 2025-2026 revenues in total of \$314,009,708.

The City's largest unrestricted funding source is the General Fund, totaling \$139,218,665 including transfers in. General Fund resources include property tax, sales tax, transient occupancy tax, program fees, and others.

Sales Tax is the top General Fund source, which is projected at \$70.5 million, which includes the Measure LC and Measure YM special district transactions and use taxes. Property Tax projections increased by \$2.8 million based on the previous year's actual revenues received by the City.

Refer to the attached draft Budget Document for complete revenue projections.

Expenditures:

The total citywide expenditure projections for Fiscal Year 2025-2026 amount to \$281,635,688, encompassing all funds, including General, Special Revenue, Internal Service, and Enterprise Funds.

Within this total, General Fund appropriations are projected at \$139,172,174, which includes all departmental operating budgets, citywide expenditures, and planned transfers to other funds.

This level of funding reflects the City's commitment to maintaining core services such as public safety/Lancaster Police Department, infrastructure maintenance, parks and recreation, community activities and community development, while also addressing long-term financial obligations and strategic priorities.

Capital Improvement Program:

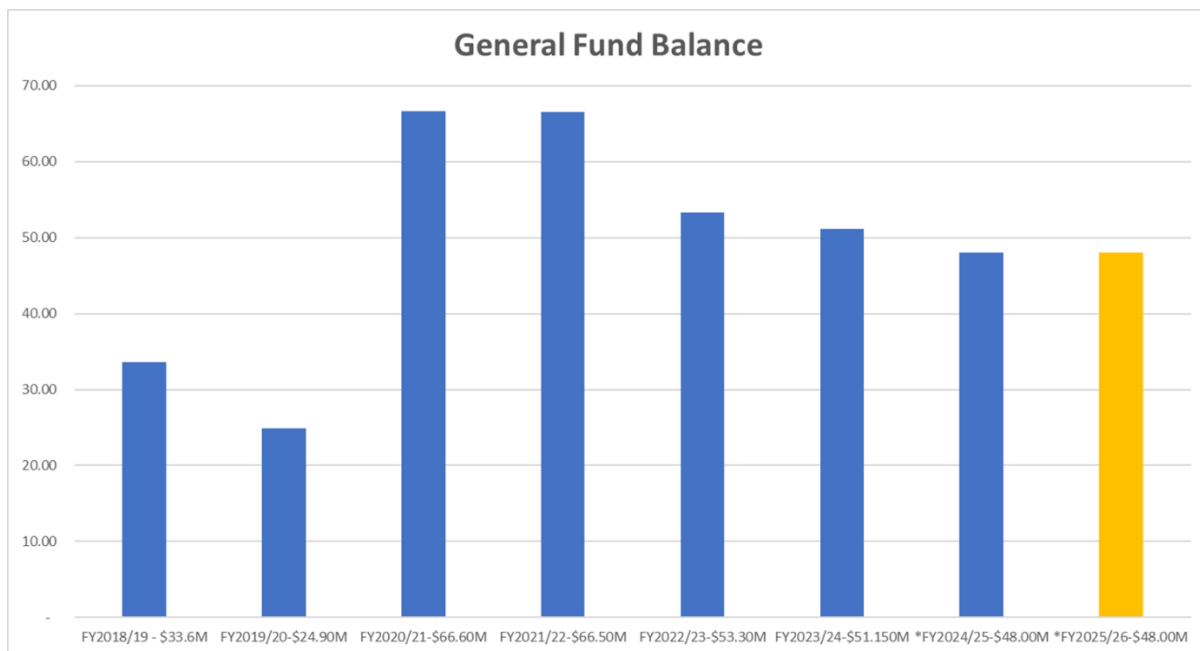
As the City continues to evolve, maintaining a focus on infrastructure remains a key priority. The Capital Improvement Program (CIP) serves as a critical tool in supporting this effort. For the Proposed FY 2025-2026 Budget, the CIP includes a total investment of \$3.4 million, reflecting the City's ongoing commitment to maintaining and enhancing essential public assets.

Refer to the attached draft Budget Document for complete expenditure projections.

Reserves:

The City of Lancaster remains dedicated to maintaining a prudent level of financial reserves to protect against potential service disruptions caused by unforeseen revenue shortfalls or unanticipated expenditures. Reserves built up during periods of revenue growth have provided the City with the flexibility to manage transitions during economic downturns, respond to emergencies, offset impacts from funding reductions, and seize strategic investment opportunities.

The Proposed FY 2025-2026 Budget reflects and reinforces the City Council’s longstanding commitment to fiscal responsibility and sustainability. General Fund reserves are projected to remain strong, demonstrating the City's dedication to long-term financial stability at \$44.8M expected at the proposed fiscal year ending.



Conclusion:

The Proposed FY 2025-2026 Budget thoughtfully balances the City’s financial resources with the evolving needs of the community. It ensures the preservation of strong General Fund reserves, positioning the City to sustain essential services and respond effectively to future economic uncertainties. This budget enables the continued delivery of high-quality municipal services including public safety, parks and recreation, youth and senior programming, and community enrichment events—that collectively enhance the quality of life for all Lancaster residents.

In addition, the budget provides the necessary funding to support key capital improvement projects focused on modernizing public infrastructure, upgrading City facilities, and beautifying neighborhoods. These investments not only address current operational needs but also contribute to the City’s long-term vision of building a vibrant, resilient, and inclusive community for generations to come.

The City’s Proposed Fiscal Year 2025-2026 Budget and Five-Year Capital Improvement Plan, Proposed Fiscal Year 2025-2026 Budget will be presented to the City Council for final adoption on June 24, 2025.

Attachment:

City of Lancaster Proposed Fiscal Year 2025-2026 Draft Budget – available on the City’s website and on file in the City Clerk Department