

STAFF REPORT

City of Lancaster

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3/11/2025
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Date: March 11, 2025

To: Mayor Parris and City Council Members

From: George N. Harris II, Senior Director/Treasurer – Administrative Services

Subject: Amendment to the Adopted Budget and Capital Improvement Program for Fiscal Year 2024-2025.

Recommendation:

Adopt Resolution No. 25-XX, authorizing an amendment to the adopted Budget and Capital Improvement Program for Fiscal Year 2024-2025.

G.C. Section 84308: No

Fiscal Impact:

Approval to amend the adopted Budget and Capital Improvement Program for Fiscal Year 2024-2025 by increasing revenues by \$10,214,631 and expenditures by \$8,901,908 for a total net increase surplus of \$1,312,723.

Background:

The mid-year budget review provides an assessment of the City of Lancaster's budget condition in the current fiscal year during the first six months of the fiscal year. It allows staff to review the projected expenditures and revenues appropriated in June of the previous year and account for adjustments not anticipated or fully defined when the projections were proposed. It provides an opportunity to review the fund balances, adjust, and help shape the development for the next budget cycle. Based on data gathered and analyzed, the proposed FY 2024-2025 revised budget includes an increase in revenues and transfers of \$10,214,631 and an increase in expenditures of \$8,901,908.

Revenues

Revenues have been adjusted to reflect an increase in several City revenues, including Sales Tax from the recently approved Measure YM, which is expected to increase General Fund revenue by \$5.2M through the end of the fiscal year. Cannabis Retail and Cultivation Surcharges are anticipated to increase by \$677,467, more than double what was originally projected. Additionally, other City revenue projections were also increased, including Permit Fees, Engineering Fees,

Business Licenses, and PARCS events revenue, due to the increase in the current year's activity and trends.

Expenditures

Expenditure increases include a combination of unexpected increases due to vandalism/damage, various rate increases, shortfalls, transfers to other funds, and adjustments to programs that were originally cut from the proposed budget.

An additional budget was added to support the ongoing Lancaster Police Department efforts, including drone equipment, professional services, training, and recruitment expenditures.

Transfers out increased by \$3.8M to support the Information Technology and Fleet Internal Service Funds. Both funds have been heavily impacted by the increase in demand by the expanding Lancaster Police Department. The Fleet fund budgeted additional funds for LPD vehicles, motorcycles, and upfitting of those vehicles. IT has seen an increase in hardware and software support to cover the new Police Building operations.

A major operational impact on the General Fund is a \$1.2M increase in projected expenses for Los Angeles County's animal control. Staff are actively reviewing the City's contract and seeking to lower these costs in the upcoming years.

The remaining increases are to support City operations through the fiscal year. The proposed increase aims to ensure adequate funding to address shortfalls without compromising essential services or planned projects.

The total adjustments recommended result in an overall increase in expenditures totaling \$8,901,908.

The proposed adjustments in Attachment A are shown by fund; Attachment B includes account details and proposed increase/(decrease).

City Reserves

The General Fund reserves for FY 2024-2025 are \$48M, meeting the City's 40% reserve policy. This provides reassurance to the City Council that the City remains fiscally sound while providing flexibility to address unexpected financial needs.

GH:VI

Attachment:

Resolution No. 25-XX, Amendment to the Adopted Budget and Capital Improvement Program for Fiscal Year 2024-2025

Attachment A

Attachment B