

STAFF REPORT

City of Lancaster

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| 6/25/2024 |
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Date: June 25, 2024

To: Mayor Parris and City Council Members

From: Jason Caudle, City Manager
George Harris, Director of Finance

Subject: Fiscal Year 2024-2025 Budgets and Five-Year Capital Improvement Program

Recommendation:

City Council and City Council acting as Lancaster Housing Authority and Lancaster Power Authority recommend:

- a. Adopt Resolution 24-XX, adopting the proposed City of Lancaster Fiscal Year 2024-2025 General Fund Operating Budget, Special Funds Budget and Capital Improvement Program Budget.
- b. Adopt Resolution 24-XX, establishing the annual Appropriations Limit for Fiscal Year 2024-2025.

G.C. Section 84308: No

Fiscal Impact:

The City of Lancaster Proposed Fiscal Year 2024-2025 Budget and Five-Year CIP totals \$282 million, including \$6.4 million for the Capital Improvement Program (CIP).

Background:

City of Lancaster Budget

The City is required to adopt a budget by July 1 of each year, which establishes appropriations and estimates revenue for the coming fiscal year. The proposed budget is the 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 address:

- Sound fiscal foundation and resilience;
- Protect city infrastructure;

- Public safety;
- Measure LC appropriations;
- Economic development; and
- New facilities, programs, and service

All of these have been incorporated into the City’s Proposed FY 2024-2025 Budget.

The following table summarizes the proposed citywide budget:

| CATEGORY | FY25 PROPOSED |
|---------------------------------|--------------------|
| PERSONNEL COSTS | 60,753,861 |
| OPERATING EXPENDITURES | 187,833,643 |
| CAPITAL OUTLAY AND REPLACEMENTS | 10,807,324 |
| CAPITAL PROJECTS | 6,420,147 |
| TRANSFERS | 16,230,806 |
| Grand Total | 282,045,781 |

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 program and service projections, grant opportunities, and the State’s economic outlook, the City can best determine the revenues available for spending allocations. The City estimated FY 2024-2025 revenues (including transfers) of \$334.1M million.

The City’s largest unrestricted funding source is the General Fund (Fund 101), totaling \$115.7 million, including transfers in. General Fund resources include property tax, sales tax, fees, grants, and others. Sales and Use tax is the top General Fund source, which is projected at \$48.5 million. Included in that projection is Measure LC with \$21.4 of Sales and Use Tax revenue. The proposed General Fund appropriations total \$113.6 million, including \$6.4 million for the Capital Improvement Program (CIP) and \$999,444 in transfers out.

The City of Lancaster desires to maintain a prudent level of financial resources to guard its residents against service disruption in the event of unexpected, temporary revenue shortfalls or unanticipated expenditures. Reserves accumulated during years when revenues exceeded expenditures cushion the City’s transition to a lower revenue base and allow the City to adjust spending in response to economic downturns, emergencies, State revenue takeaways, and/or investment opportunities. The Proposed FY 2024-2025 Budget significantly recognizes and strengthens the City Council’s fiscal prudence and discipline with reserves totaling approximately 40%.

To continue transforming the City, we must continue focusing on the infrastructure in the City; we accomplish this through our Capital Improvement Program (CIP). We are persistent in our aggressive, proactive approach to allocating more capital improvement funding. The CIP for the Proposed FY 2024-2025 Budget totals \$6.4 million.

The Proposed FY 2024-2025 Budget addresses community needs while maintaining healthy Reserves that will enable the City to continue providing the community with a full scope of high-quality municipal services, programs, and special events that enhance the quality of life of all

Lancaster residents. It will also provide the required resources to construct significant capital improvement projects that will improve infrastructure and facilities and beautify the community.

Measure LC

On November 3, 2020, the voters of the City of Lancaster approved by the required majority vote, the City of Lancaster Transactions and Use Tax Ordinance. The collection of the $\frac{3}{4}$ -cent Transaction and Use Tax began on April 1, 2021, and is being administered by the California State Department of Tax and Fee Administration. The Tax is expected to generate approximately \$21.4 in General Fund revenue in the fiscal year 2024/25.

The Measure LC committee, through recent discussion, identified that the priority for the use of Measure LC funds shall be as follows:

1. Life Safety;
2. Public Safety;
3. Quality of Life; and
4. Sound Fiscal Foundation/Support

On June 13, 2024, the Measure LC committee approved the following list of expenditures that can be added as a result of receiving Measure LC funds:

| FY 2025 Measure LC - As of 6/11/2024 | | | | | | | |
|---|-----------|-----------------|-------------|------------------|----------------------------|----------|------------------|
| 2024 Measure LC Allocation | | | | | 2025 Measure LC Allocation | | |
| Item | Project # | Ongoing Funding | One-Time | Total Allocation | Ongoing Funding | One-Time | Total Allocation |
| Public Safety | | | - | 10,589,164 | | | |
| | | 10,589,164 | | | 11,399,802 | - | 11,399,802 |
| MARRC | 11BS038 | | | 4,000,000 | | | |
| | | 1,500,000 | 2,500,000 | | 3,000,000 | - | 3,000,000 |
| LPAC Improvements & Operations | 11BS022 | | | 1,832,502 | | | |
| | | 1,832,502 | | | 2,120,439 | - | 2,120,439 |
| Community Center - Operations | | | | 1,423,393 | | | |
| | | 1,423,393 | | | 877,439 | - | 877,439 |
| Citywide Special Events | | | | - | | | |
| | | - | | | 1,244,950 | - | 1,244,950 |
| 5 Ongoing Positions (IT; HR; CMO) | | | | 781,101 | | | |
| | | 781,101 | | | 859,211 | - | 859,211 |
| Illegal Dumping/Encampment Clean-up | | | | 766,536 | | | |
| | | 766,536 | | | 1,311,459 | - | 1,311,459 |
| 4 New Support Positions (1 PARCS; 2 DS Capital; 1 CMO/City Clerk) | | | | 537,000 | | | |
| | | 537,000 | | | 590,700 | - | 590,700 |
| Expansion of the Citywide Camera System | | | | | | | |
| | | - | 907,304 | 907,304 | - | - | - |
| Total | \$0 | \$17,429,696 | \$3,407,304 | \$20,837,000 | \$21,404,000 | \$0 | \$21,404,000 |

Attachment:

City of Lancaster Proposed Fiscal Year 2024-2025 Budget – available on the City’s website and on file in the City Clerk Department

Resolution 24-XX (a. Adopting City FY 24-25 Budget)

Resolution 24-XX (b. Appropriations Limit-FY25)

Vendor Expenditure Authority List for FY 2024 - 2025