



CITY OF MERCED

MERCED

May 12, 2021

Merced City Council
678 W 18th Street
Merced, CA 95340

Re: Presentation of Fiscal Year 2021-2022 City Manager's Recommended Budget

Honorable Mayor and City Council:

I hereby submit the Fiscal Year 2021-22 City Manager's Recommended Budget for your review and consideration, in accordance with the City of Merced Charter Section 501(b). The total Proposed Budget of \$320.1 million, and General Fund of \$51.3 million, was developed in partnership with your department heads and staff representing a comprehensive, balanced, and sustainable plan for the upcoming fiscal year.

General Overview

Although long-term impacts of COVID-19 are uncertain, the City of Merced's economic outlook continues to be strong. Sales Tax and Property Tax receipts are outperforming current year projections, and total General Fund revenues are budgeted to include a projected 6% increase based on mid-year revised estimates. Single-family and multi-family construction continues to outpace prior years, with development occurring citywide. Despite COVID-19 restrictions, the county's unemployment rate is holding at 11.4%, which is slightly above pre-pandemic numbers.

History has proven that the City of Merced's financial position can suddenly fluctuate. The proposed budget adheres to the prudent principals established by the City Council including the following: 1) maintaining existing services and programs; 2) planning for one-time investments in parks and public spaces throughout the City; and 3) increasing funding to reserves and contingencies to protect against uncertainty.

Goals & Priorities

Staff collected survey responses for three weeks and received input from the community at two virtual Town Hall meetings. With responses and data at hand, the City Council held a strategic planning session on February 27, 2021 to develop the Fiscal Year 2021-22 Goals & Priorities. Through much thought, the Council identified the following areas for budgetary investment:

- **Public Safety:** exploring Measure C Renewal opportunities, developing Police Reserve Force, enhanced community engagement, and planning for future facilities.



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- **Economic Development:** Downtown improvements including the adoption of a Property Based Improvement District (PBID), adopting business friendly strategies for entitlement, planning for additional workforce development opportunities, and expanding marketing for tourism as a “Gateway to Yosemite”.
- **Parks & Recreation:** enhanced recreation activities, events, programs, facilities that are youth-focused (kids first), improved community partnership to expand services and facilities, and increased maintenance of parks and open spaces, including the replacement of playground equipment.
- **Housing & Homelessness:** continued focus on affordable housing projection through inclusionary zoning, development fees, alternative housing programs (i.e. tiny and prefab homes) and explore other housing concepts. Establish a qualified list of public and non-profit developers to construct new housing projects. Provide interim services and location direction for homeless encampments.
- **Public Works City Beautification:** continued resurfacing of local streets and sidewalks, enhanced tree and creek maintenance, establishing a litter abatement service citywide, develop additional public arts projects.

Along with these priority areas, the City Council also adopted Guiding Principles framing the daily work of City staff – a) building a sense of community; b) provide equal access to programs and services to all residents, c) providing excellent customer service, and d) improving the quality of life for all residents through enhanced maintenance of public spaces. The Proposed Budget reflects funding across all priority areas for Fiscal Year 2021-22.

COVID-19 Response

During 2020, the City Council responded to the needs of the community by providing financial assistance for business grants, utility rate rebates and payment assistance, rental payment assistance, funding for the Merced Food Bank, and spending incentives for local, small businesses totaling more than \$3 million in funding. In March, Congress approved the American Rescue Plan Act of 2021 allocating \$27.4 mil to the City of Merced. As part of the plan, an additional \$1.9 million was allocated to the City to support rental assistance and housing stabilization for residents due to COVID-19. As the guidelines for these funds are shared by the U.S. Department of Treasury, staff will look to the City Council for options for one-time funding investments supporting local economic recovery.

General Fund

The total General Fund budget is \$51.3 million. Part of the General Fund budget includes \$46.5 million in on-going operational expenses and \$4.8 million in non-operational one-time and policy



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expenses. We remain encouraged as reductions from the prior fiscal year are restored through the proposed budget. As a priority of the City Council, the General Fund budget includes a new program – Rental Inspection Program. The budget supports the necessary staffing and one-time equipment purchases needed that will be covered by inspection fees on a go-forward basis. A single position is requested of the Finance Department to restore the service to pre-recession levels. Other one-time costs include planning for the November 2022 general election, enhanced Enterprise Resource Planning funding, parks maintenance equipment, dispatch communications equipment, and continued City Hall maintenance. Allocations to the Trust 115, Economic Development Opportunity Fund and Reserves and Contingencies have been made in accordance with City Council adopted policies.

Measure C

Measure C is a ½ cent sales tax initiative that expires in 2026. The City Council made evaluating the viability of renewing Measure C a priority for Fiscal Year 2021-22. In doing so, one-time funding is set aside to hire a consultant to work with the City and the Measure C Committee. Staffing continues to be the primary budget item for Measure C. Personnel funded by Measure C include, 12.30 FTE for the Fire Department and 20.49 FTE for the Police Department for a total of 32.79 FTE. One-time funding of \$1 million is also set aside to allow for enhanced street maintenance for repairs in Fiscal Year 2021-22.

Measure V & SB1

For Fiscal Year 2021-22, \$4.3 million is allocated to street and sidewalk projects. This funding, along with the \$1 million in Measure C, is recommended to provide for the reconstruction of seven roadways, four quiet zone intersections along the BNSF Railroad, two sidewalk-only projects and the completion of two ancillary projects. The City Manager Recommended Budget includes a list of proposed projects for Council consideration. Five alternative projects have been identified, should the City Council choose to make changes to the proposed projects. All projects under consideration are based on the pavement management index.

Measure Y

Measure Y was enacted as a special tax on the cultivation, manufacturing, distribution, and sale of cannabis within the City of Merced by the voters in 2017. This fiscal year, staff is recommending a total of \$4.9 million – \$1.9 million from current year and \$3 million in new revenue – be budgeted within the four designated funding areas: 20% Police, 20% Fire, 20% Parks & Recreation, and 40% discretionary. Below is a breakdown of the items recommended for funding. Approximately \$1 million remains available for City Council consideration during the Budget hearing process.



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- Police 20% - establishing a reserve officer program, upgrading vehicle cameras and communication packages, one-time vehicle repairs, outdoor cameras and drone replacement, and the purchase of a compact bomb robot to upgrade the existing unit.
- Fire 20% - replacing mobile radios, one-time safety gear replacement, purchase of a Type-6 Fire Engine, and the purchase of a portable classroom to expand training capabilities at Station 52.
- Parks & Recreation 20% - Enhanced services to accompany the Block Party trailer, expand events for all existing areas (Movies in the Park, Spooky Nights, Mermaids & Pirates, Tiny Tots), addition of a Tennis program, expand summer camp to a full day, expand swim lessons, one-time Applegate Zoo operational costs, placeholder estimates for the Boys & Girls Club contract and \$250,000 set-aside for a future youth program.
- Discretionary 40% - Staff recommendations focus heavily on improving park and passive recreational spaces including Fahrens Park Playground replacement, restroom restoration at McNamara, Applegate, Rahilly and Fahrens Park, playground equipment replacement across 12 small parks, Ada Givens Swimming Pool restoration, regular bike path and tree trimming to provide for improved access and safety throughout the City.

Merced is a strong community, that has responded to 2020 with resilience and creativity. We've met challenges head on and made bold policy decisions to ensure the fiscal sustainability of the City. Your staff is committed to the continued success of this community and focused on providing community-centered customer service.

Sincerely,

Stephanie R. Dietz
City Manager