



# City of Merced Budget 2026-27

# FY 2026/27 Budget

- ▶ City Budget Overview
- ▶ Internal Services
- ▶ General Fund
- ▶ Measure C
- ▶ Measure Y
- ▶ Other Departments
- ▶ Options/Discussion



# Overview

Labor Negotiation Increases  
included 4%

Maintenance, Supplies, and  
Services <0%-2% increase

Methodology changes  
New Grants and Opioid  
Carryover

Parks and Community  
Services – Balanced but  
could have future  
challenges

PC and Fleet Replacement

- Not included in the General Fund
- Included in Enterprise Funds and other Special Revenue Funds

No Funding Allocation:

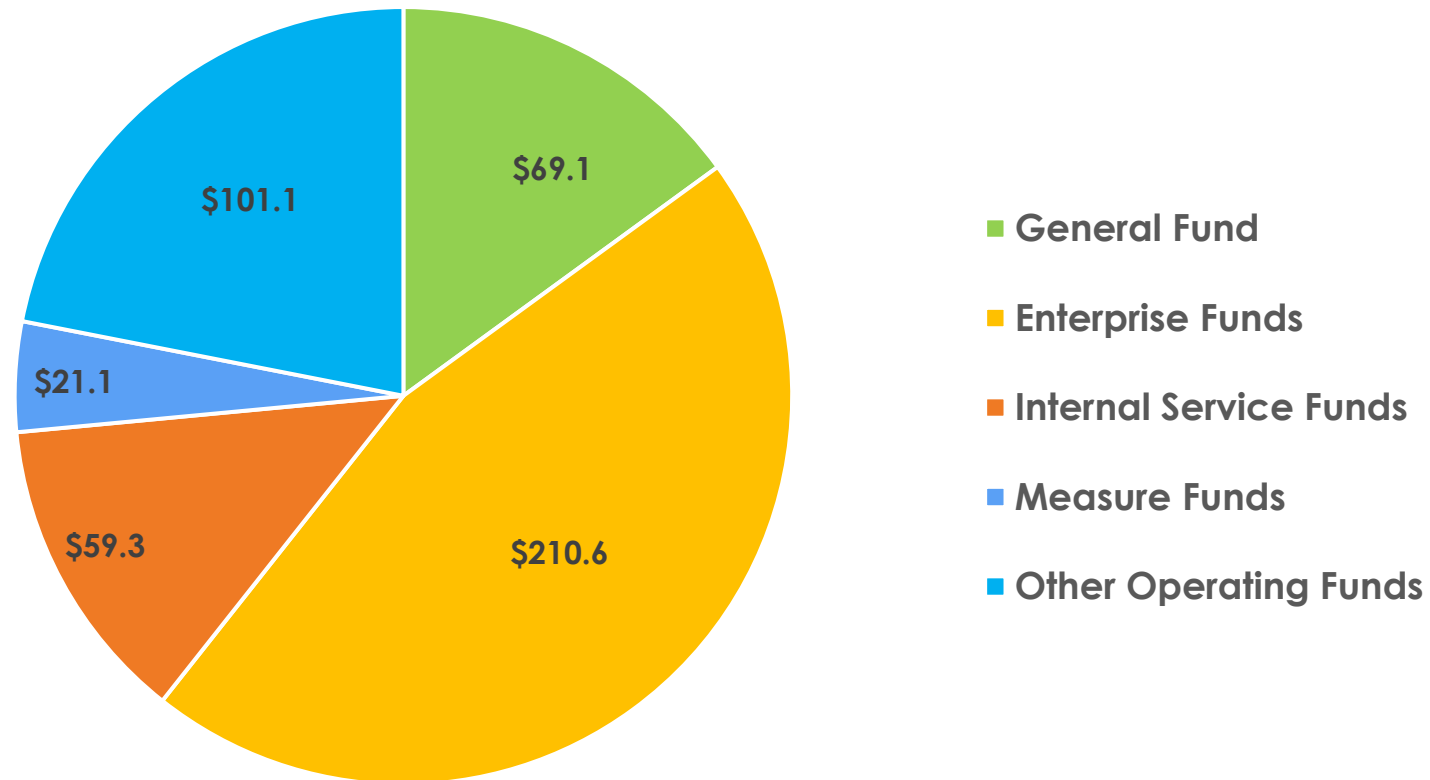
- Community Funding

# Overview: Challenges Ahead

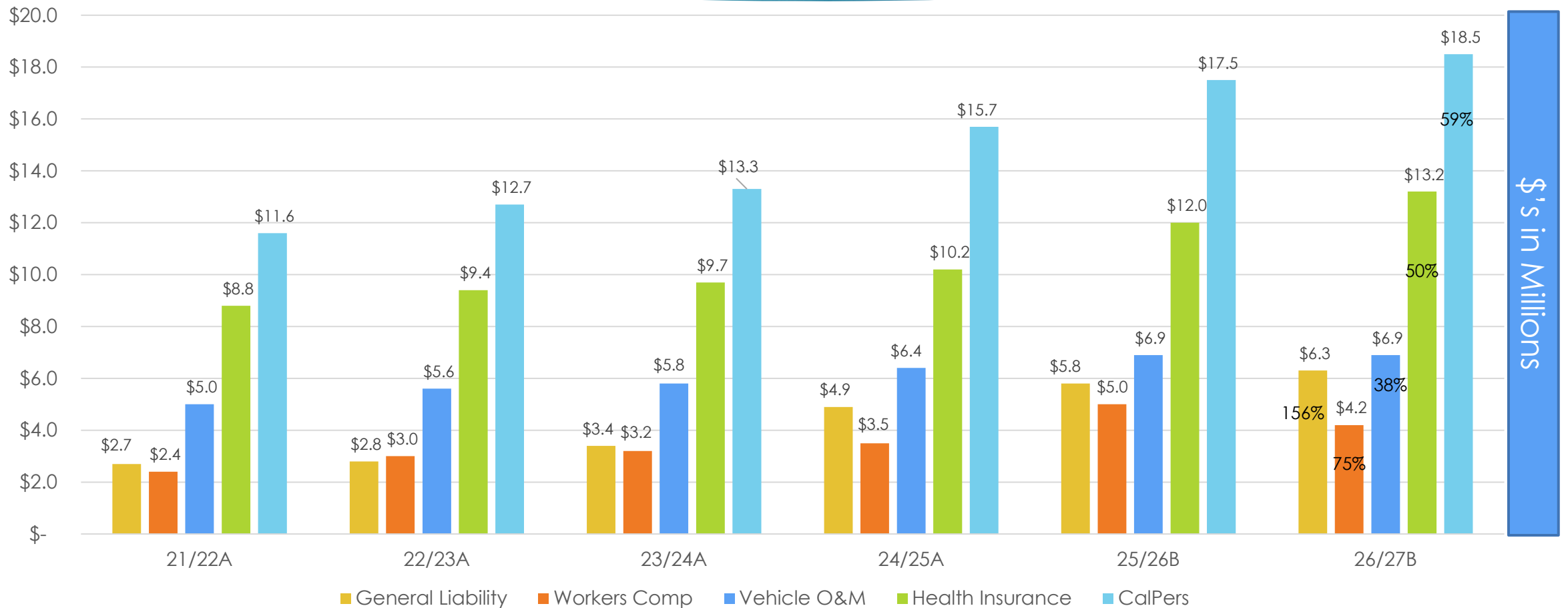
- ▶ Budget options to balance will be provided, however, challenges remain:
- ▶ Increases in need for fire support as federal grant funds expire
  - ▶ Loss of annual \$3.5M Grant Revenue
  - ▶ 24 Merced firefighters/paramedics at risk
- ▶ Park safety and homelessness are a community priority, yet ongoing funding could be at risk
- ▶ Deferred street maintenance remains an issue.
  - ▶ Currently, many Merced streets are considered "poor" by independent experts

# FY 2026-27 Budget Overview

**Total City Budget \$461.2 million**



# Citywide-Largest Cost Drivers



# Recommended Staffing

| Functional Area          | Add      | Delete     | Total      | Unfunded |
|--------------------------|----------|------------|------------|----------|
| FY 25-26 Staffing        |          |            | 562        |          |
| City Manager             | -        | (2)        | (2)        |          |
| Fire                     | 2        | (2)        | -          |          |
| Human Resources          | 1        | -          | 1          |          |
| Information Technology   | 1        | -          | 1          |          |
| PW-Fleet                 | 1        | -          | 1          |          |
| <b>Subtotal</b>          | <b>5</b> | <b>(4)</b> | <b>1</b>   |          |
| PW-Streets               | 1        | -          | 1          |          |
| PW-Water                 | 1        | (1)        | -          |          |
| PW-Refuse                | 2        | -          | 2          |          |
| <b>FY 26-27 Staffing</b> | <b>9</b> | <b>(5)</b> | <b>566</b> |          |

# Internal Services Allocation



## Liability Insurance

No. of Positions  
No. of Vehicles  
Sq. Ft of Property  
Experience of claims & losses

\$6.3M Allocation  
•GF 36.5%  
•Others 63.5%



## Workers Compensation

No. of Positions and Type  
35%  
Open Claims 65%

\$4.2M Allocation  
•GF 59%  
•Others 41%



## Employee Benefits

No. of Positions  
Healthcare Election

\$11.5M Allocation  
•GF 41%  
•Others 59%



## Fleet Management

Division Vehicles cost to maintain labor and supplies

\$6.9M Allocation  
•GF 31%  
•Others 69%



## Facilities

Sq Ft of Property  
Labor hours  
Direct Charges

\$2.6M Allocation  
•GF 45%  
•Others 55%

# Internal Services Allocation

## Support Services

### Personnel/Risk Management

- No. of Positions

### Information Technology

- Direct Charges
- Weighted Average
  - Budget Amount
  - Level of Effort

- \$5.7M Allocation
  - GF 45%
  - Others 55%

## Direct Service Charges

Direct Service provided based on hourly rate

### \$6.2M Charges

- GF 1%
- Others 99%

GF receives \$2.4M Revenue

## Administration

City Council, City Manager, City Clerk, City Attorney, Finance Purchasing

- Weighted Average
  - No. of Employees
  - Budget Amount
  - Level of Effort

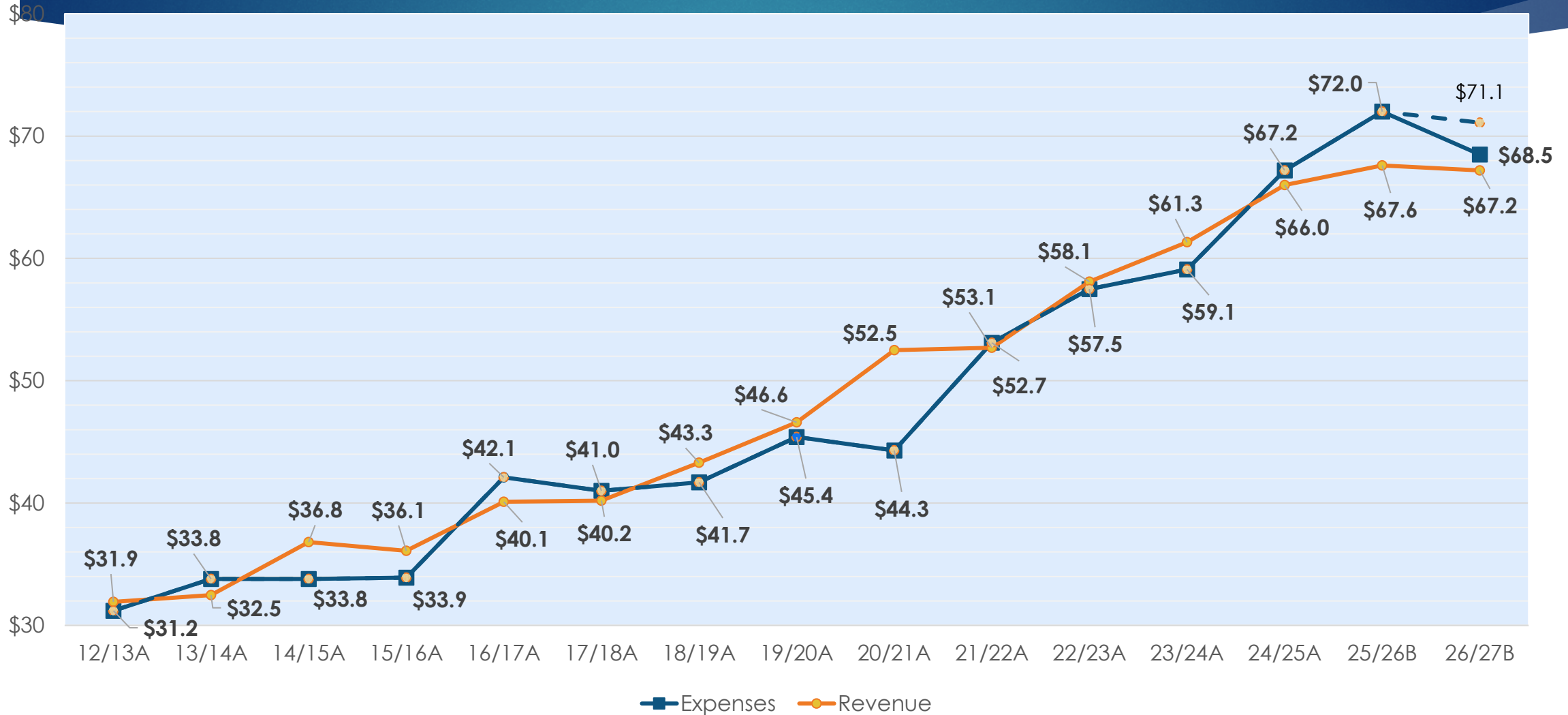
### \$10M GF Operating Costs

- \$1.3M Direct Service Charges
- \$336k Misc Revenues
- 6.2M Admin Chgs other Funds
- \$2.2M (22%) GF Absorbed

# FY 2026/27 General Fund

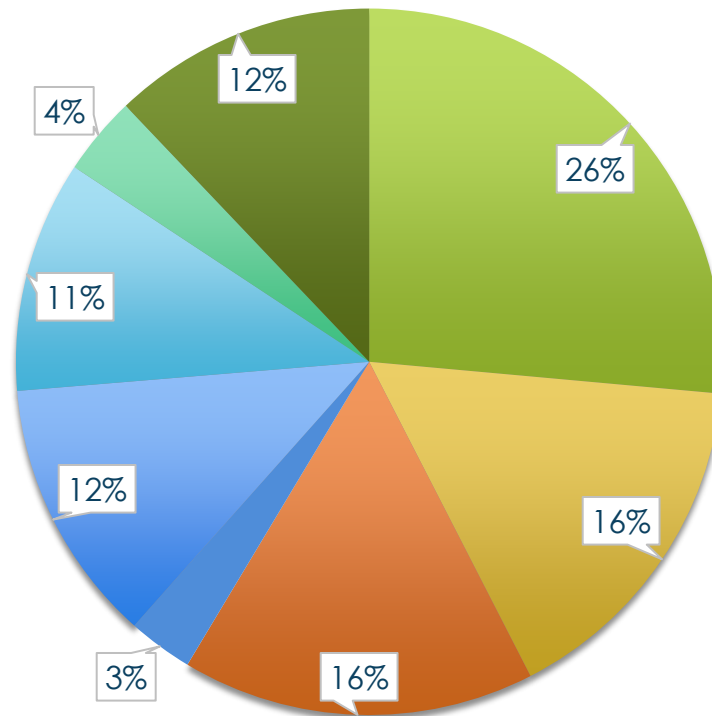
|   |                      |
|---|----------------------|
| <b>Estimated Beginning Balance – July 1, 2026</b> | <b>\$11,813,391</b>  |
| <b>Budgeted Revenue</b>                           | <b>\$67,230,559</b>  |
| Operating Expenses                                | \$66,222,614         |
| Operating Transfers                               | \$2,300,660          |
| <b>Total Operating Expenditures</b>               | <b>\$68,523,274</b>  |
| <b>Revenue over/under Expense</b>                 | <b>(\$1,292,715)</b> |
| Below the Line (Non-operating)                    | \$401,123            |
| Future Planning                                   | \$2,025,000          |
| Prior Year Projects                               | \$200,824            |
| <b>Recommended Ending Balance – June 30, 2027</b> | <b>\$7,893,729</b>   |
| Less Committed Funds-5% Contingency Reserve       | \$3,426,164          |
| <b>Total Available Funds – June 30, 2027</b>      | <b>\$4,467,565</b>   |

# General Fund Summary



# General Fund Revenues

Total Revenues of \$67.1 million

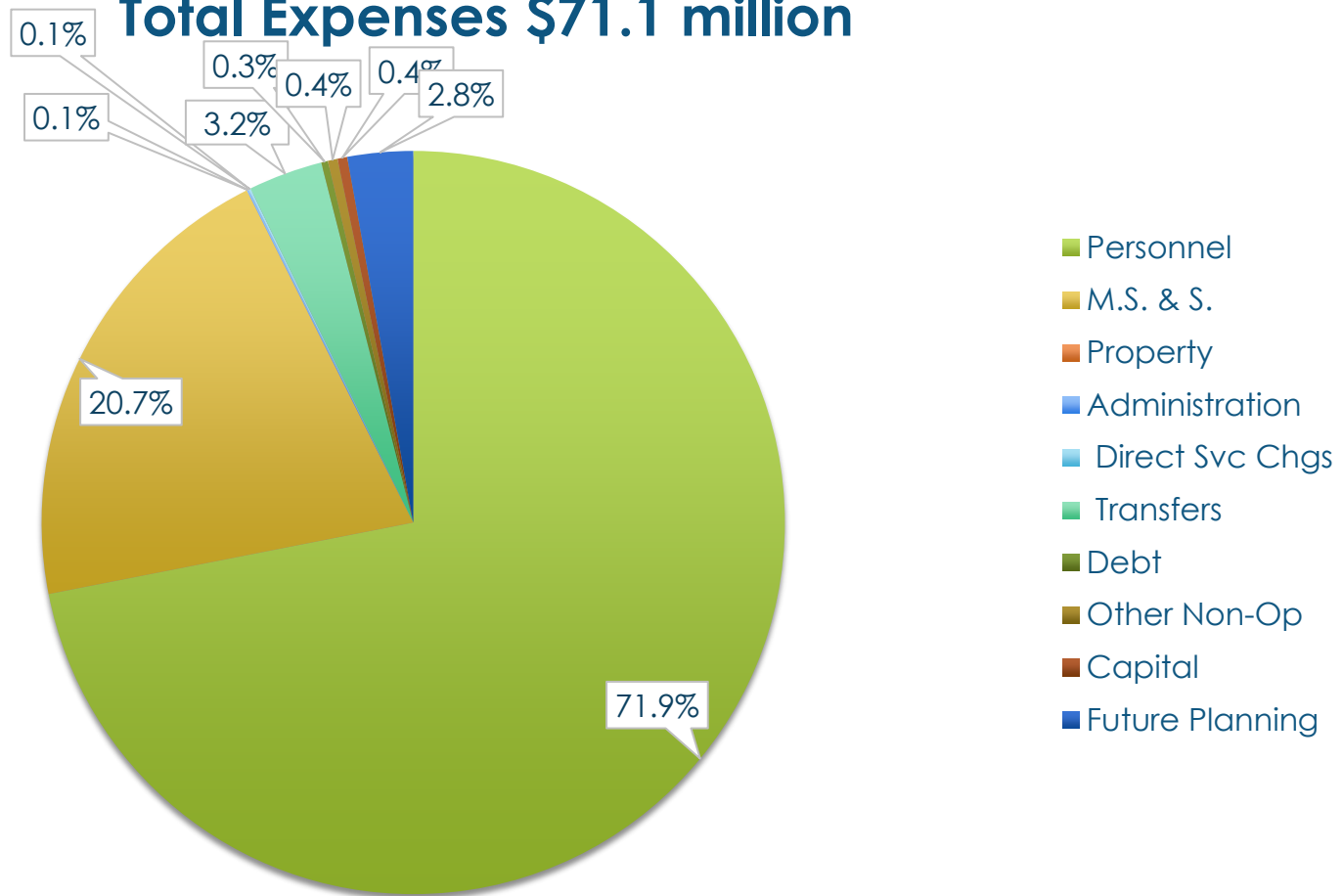


- Sales Tax
- Property Tax
- Vehicle in Lieu
- RDA Residual
- Other Taxes
- Administration
- Direct Svc Chgs
- Other



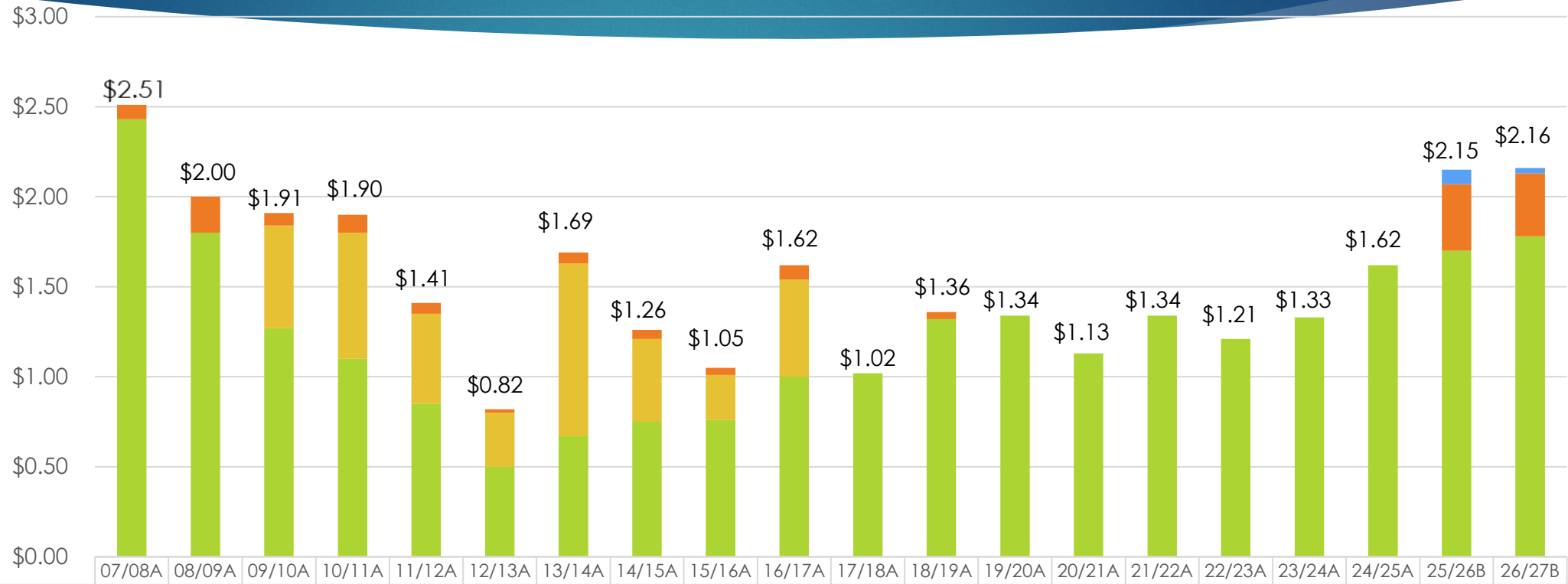
# General Fund Expenses

**Total Expenses \$71.1 million**



Operating  
up 1.35%

# General Fund Transfers



|                      | 07/08A | 08/09A | 09/10A | 10/11A | 11/12A | 12/13A | 13/14A | 14/15A | 15/16A | 16/17A | 17/18A | 18/19A | 19/20A | 20/21A | 21/22A | 22/23A | 23/24A | 24/25A | 25/26B | 26/27B |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Housing Admin        | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.08 | \$0.03 |
| Airport              | \$0.08 | \$0.20 | \$0.07 | \$0.10 | \$0.06 | \$0.02 | \$0.06 | \$0.05 | \$0.04 | \$0.08 | \$0.00 | \$0.04 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.37 | \$0.35 |
| Development Services | \$0.00 | \$0.00 | \$0.57 | \$0.70 | \$0.50 | \$0.30 | \$0.96 | \$0.46 | \$0.25 | \$0.54 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Parks and Recreation | \$2.43 | \$1.80 | \$1.27 | \$1.10 | \$0.85 | \$0.50 | \$0.67 | \$0.75 | \$0.76 | \$1.00 | \$1.02 | \$1.32 | \$1.34 | \$1.13 | \$1.34 | \$1.21 | \$1.33 | \$1.62 | \$1.70 | \$1.78 |

■ Parks and Recreation ■ Development Services ■ Airport ■ Housing Admin

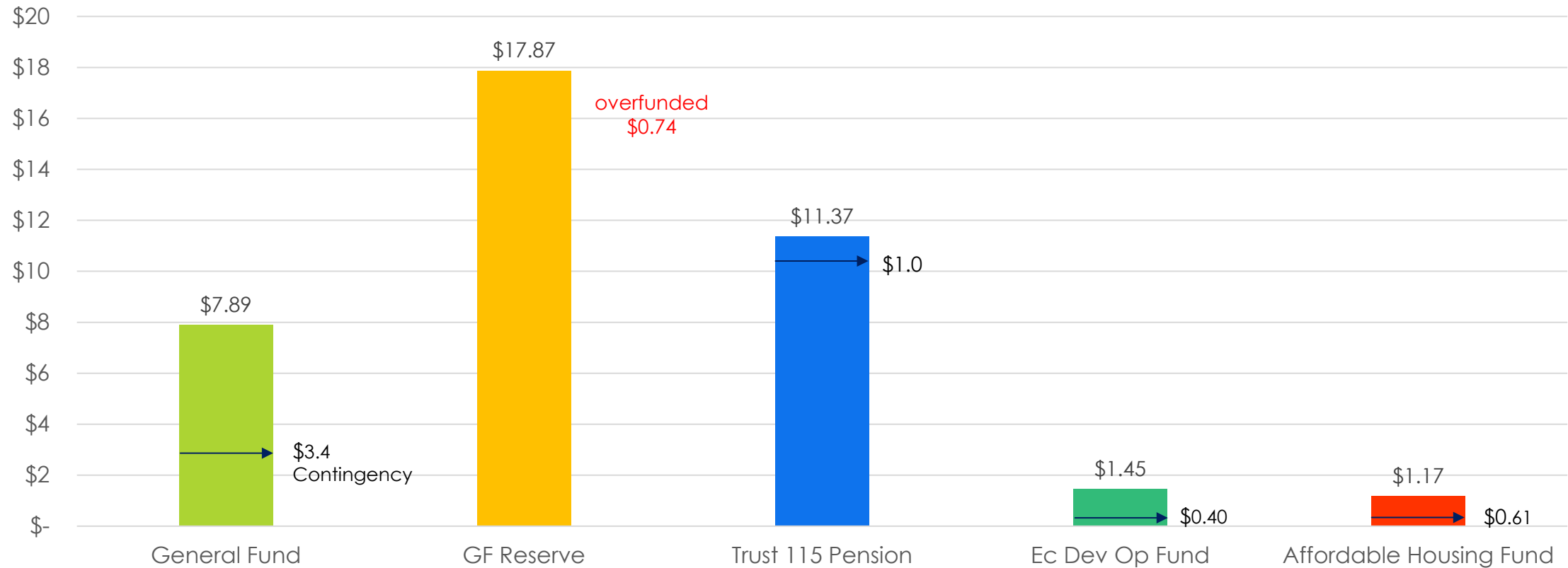
\$'s in Millions

## Below the Line Expenses (Non-Operating)

|  |                    |
|--|--------------------|
| Enterprise Resource Planning (ERP)       | \$ 60,623          |
| Ballot Cost                              | 80,000             |
| Compensation Study                       | 150,000            |
| Arts Projects (carryover)                | 70,500             |
| Bob Hart Fountain Repairs                | 20,000             |
| Park Maintenance $\frac{3}{4}$ Ton Truck | <u>80,000</u>      |
| <b>Subtotal</b>                          | <b>\$401,123</b>   |
| Economic Development Opportunity Fund    | 405,000            |
| Affordable Housing Fund                  | 607,500            |
| Trust 115-Pension                        | 1,012,500          |
| General Fund Reserve – 25% set aside     | <u>0</u>           |
| <b>Total</b>                             | <b>\$2,426,123</b> |

# Set-Aside Balances

FY 26/27 Balance



# Measure C

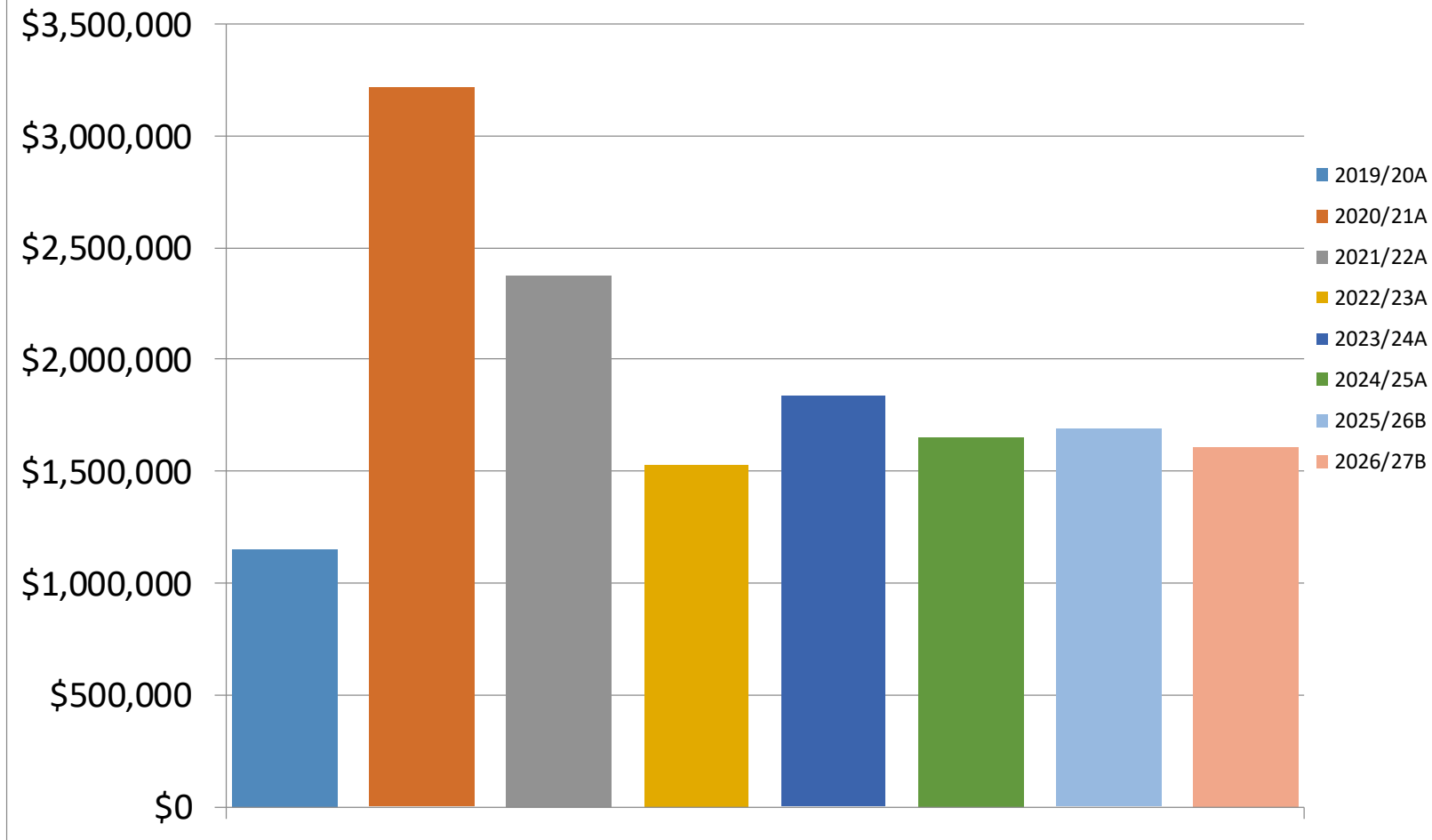
|                               | Fund 2001-Old Measure C | Fund 2030-Public Safety | Fund 2031-Roads  | Total              |
|-------------------------------|-------------------------|-------------------------|------------------|--------------------|
| Beginning Balance 7/1/26      | \$3,890,521             | \$1,862,885             | \$643,266        | \$6,396,672        |
| Sales and Use Tax             | 0                       | 8,852,100               | 465,900          | 9,318,000          |
| Other Revenue                 | 158,500                 | 0                       | 7,420            | 165,920            |
| <b>Total Budgeted Revenue</b> | <b>158,500</b>          | <b>8,852,100</b>        | <b>473,320</b>   | <b>9,483,920</b>   |
| Transfers                     | 145,000                 | 597                     | 0                | 145,597            |
| Operating Expenses            | 1,287,712               | 9,137,094               | 3,765            | 10,428,571         |
| Acquisitions                  | 0                       | 0                       | 530,000          | 530,000            |
| Capital Improvements          | 1,670,388               | 0                       | 0                | 1,670,388          |
| <b>Total Budgeted Expense</b> | <b>3,103,100</b>        | <b>9,137,691</b>        | <b>533,765</b>   | <b>12,774,556</b>  |
| <b>Ending Balance 6/30/27</b> | <b>\$945,921</b>        | <b>\$1,577,294</b>      | <b>\$582,821</b> | <b>\$3,106,036</b> |

\*Meets GFOA Recommended Minimum

# Measure C Ballot Requirement

| Police and Fire Levels of Spending<br>FY 2021-22 |               |                               |            |   |                        |               |
|--|---------------|-------------------------------|------------|---|------------------------|---------------|
| Fund   | 1000          | 4502/4503                     | 2002/2003  | 2010<br>Abandoned<br>Vehicle<br>Abatement | Total Public<br>Safety | 2001          |
| Description                                      | General Fund  | CFD                           | Measure Y  |   |                        | Measure C     |
| Fire   | \$ 11,654,420 | \$ 703,512                    | \$ 600,209 |   | \$ 12,958,141          | \$ 3,122,742  |
| Police   | 22,167,181    | 1,378,206                     | 343,524    | 51,578                                    | 23,940,489             | 4,166,379     |
| Total Public Safety Expense                      | \$ 33,821,601 | \$ 2,081,718                  | \$ 943,733 | \$ 51,578                                 | \$ 36,898,630 *        | \$ 7,289,121  |
| Total Fund Expenses                              | \$ 53,133,114 | \$ 2,081,718                  | \$ 943,733 | \$ 51,578                                 | \$ 56,210,143          | \$ 7,515,982  |
| Percentage of Expense                            | 64%           | 100%                          | 100%       | 100%                                      | 66%                    | 97%           |
| FY 2026-27 CM Recommended Budget                 |               |                               |            |   |                        |               |
| Fund   | 1000          | 4502/4503                     | 2002/2003  | 2010<br>Abandoned<br>Vehicle<br>Abatement | Total Public<br>Safety | 2001/2030     |
| Description                                      | General Fund  | CFD                           | Measure Y  |   |                        | Measure C     |
| Fire   | \$ 16,662,198 | \$ 1,444,659                  | \$ 378,441 | \$ -                                      | \$ 18,485,298          | \$ 4,007,149  |
| Police   | 30,887,693    | 2,846,475                     | 483,111    | 25,556                                    | 34,242,835             | 6,632,220     |
| Total Public Safety Expense                      | \$ 47,549,891 | \$ 4,291,134                  | \$ 861,552 | \$ 25,556                                 | \$ 52,782,133 *        | \$ 10,639,369 |
| Total Fund Expenses                              | \$ 71,150,221 | \$ 4,291,134                  | \$ 861,552 | \$ 25,556                                 | \$ 76,328,463          | \$ 12,240,791 |
| Percentage of Expense                            | 67%           | 100%                          | 100%       | 100%                                      | 69%                    | 87%           |
|  |               | Meet or Exceeds by Dollar     |            |   | \$ 15,829,503          |               |
|  |               | Meet or Exceeds by Percentage |            |   | 3%                     |               |

# Measure Y-Cannabis Tax by Fiscal Year



# Measure Y

|                          | Police-20% | Fire-20%  | Parks & Rec-20% | Discretionary-40% | Total     |
|--------------------------|------------|-----------|-----------------|-------------------|-----------|
| Beginning Balance 7/1/26 | \$73,014   | \$351,201 | \$179,855       | \$109,781         | \$713,851 |
| Estimated Tax Revenue    | 321,590    | 321,590   | 321,590         | 643,180           | 1,607,950 |
| Estimated Other Revenue  | 5,050      | 16,470    | 2,000           | 8,500             | 32,020    |
| Estimated Transfers-In   |            |           | 348,101         | (348,101)         | 0         |
| Estimated Transfers-Out  |            |           | 321,590         | 321,590           | 643,180   |
| Estimated Expenses       | 378,441    | 483,111   | 442,101         | 0                 | 1,303,653 |
| Ending Balance 6/30/27   | \$21,213   | \$206,150 | \$87,855        | \$91,770          | \$406,988 |

# Parks & Community Services

## ► Balancing the Operating Budget

- Measure Y 20% Parks and Recreation \$321,590
- Measure Y 50% of 40% Discretionary \$321,590
- General Fund Transfer
  - \$68,284 4% annual increase
  - \$1,775,372 Total GF Transfer
- Field Equipment \$94,000
  - Mule Gator \$20,000
  - Tractor \$30,000
  - Lawn Mower (16ft wide) \$20,000
  - Turf Tank Lease \$15,000
  - Storage Container \$5,000
  - Trailer \$2,500

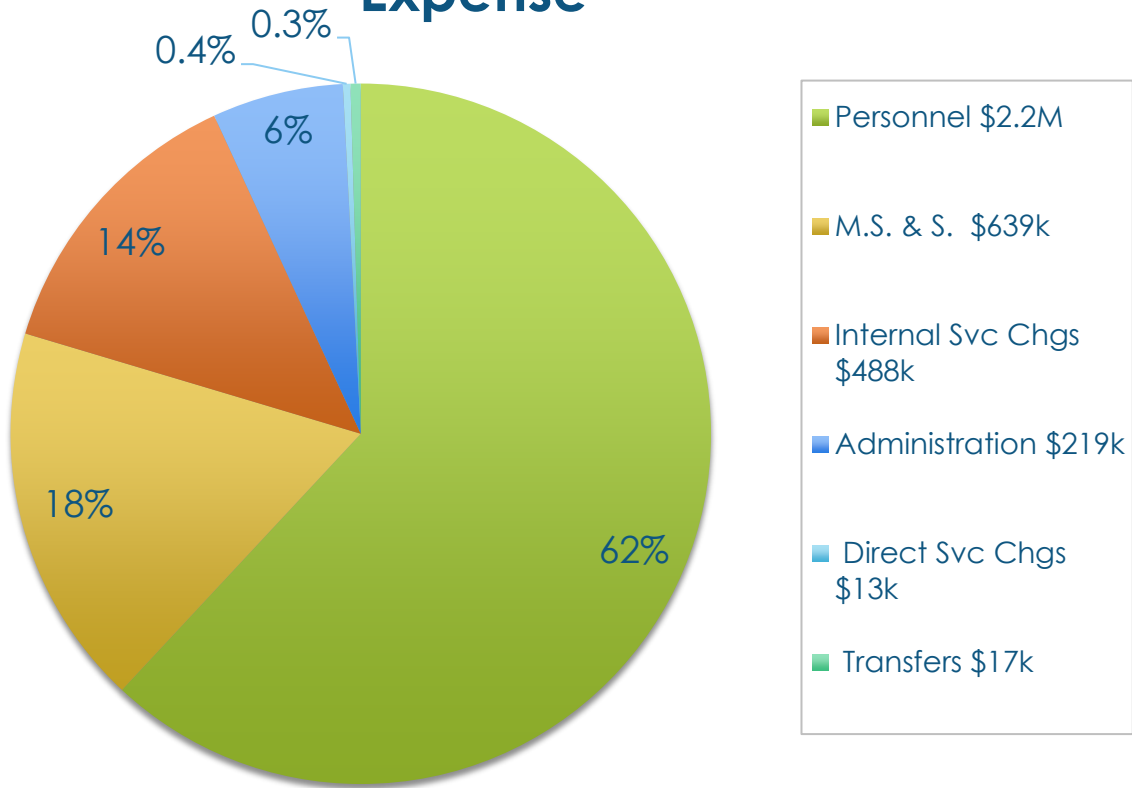
## ► Additional Revenues

- Council Approved Rate Increases
  - CP42 Field Rentals \$60,000
- Zookeeper 3 yr Donation
  - Yr 2 cost of zookeeper \$76,200
- MCSD Contribution
  - Youth Sports \$196,850
- CVOF Grant
  - Outdoor Recreation Program \$124,725
- CFD Special Tax
  - 6,423 Parcels to be Levied \$240,640

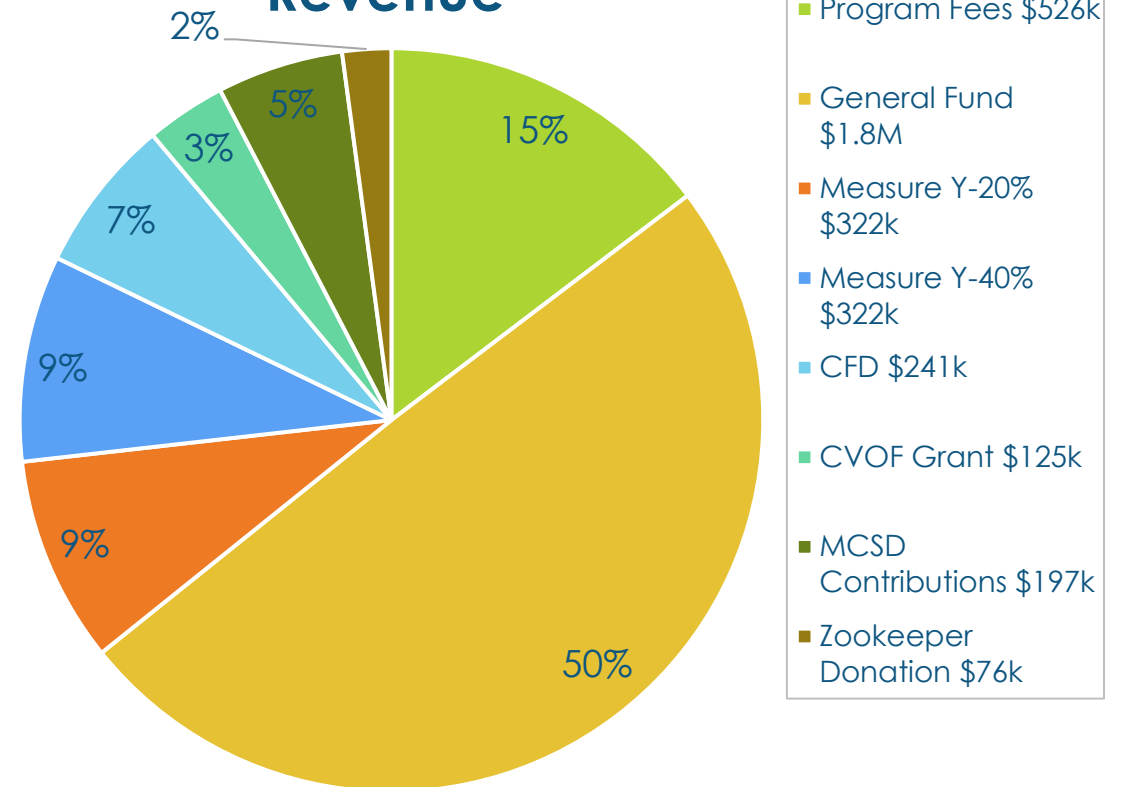
# Parks & Community Services

Total Expenses \$3.6 million

**Expense**



**Revenue**



# Police – 143 Positions (98 sworn officers)

- ▶ General Fund

- ▶ Total Funded Positions = 109.30  
(67.3 sworn/42 non-sworn)

- ▶ CFD

- ▶ Total Positions = 10.21 sworn

- ▶ Measure C

- ▶ Total Positions = 23.49  
(20.49 sworn/3 non-sworn)

- ▶ Measure Y

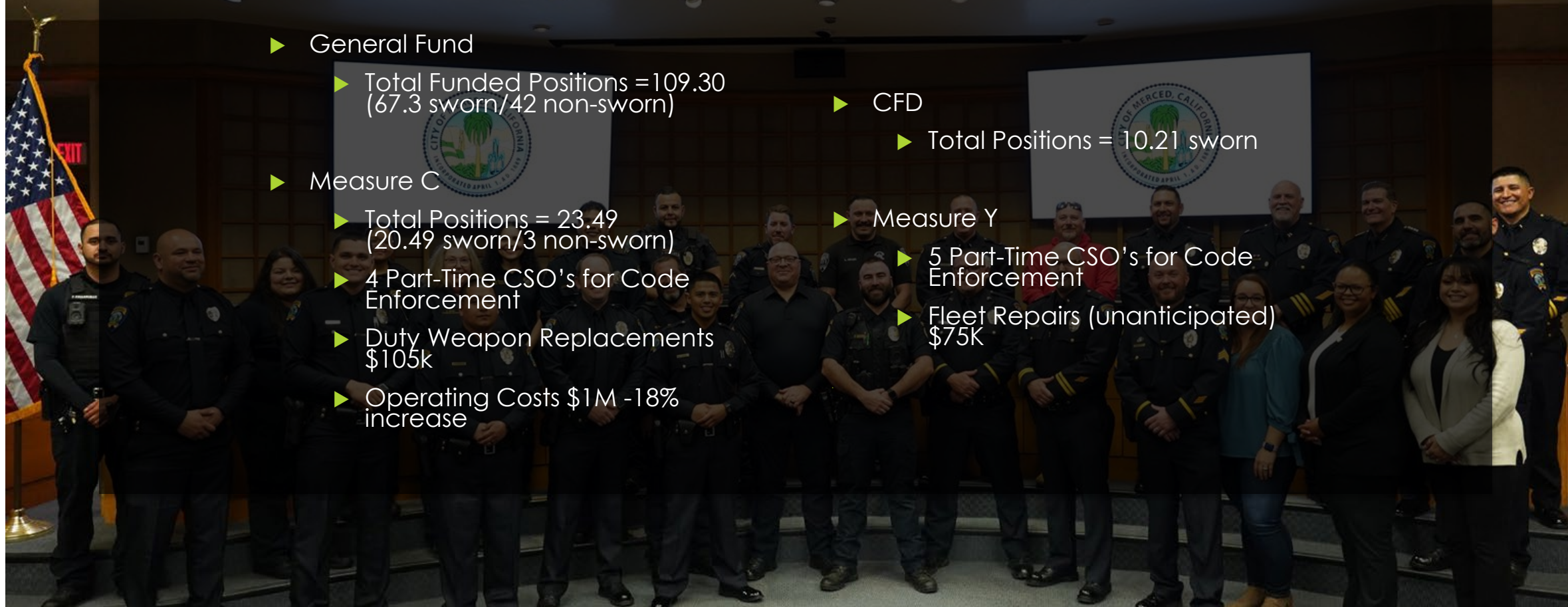
- ▶ 5 Part-Time CSO's for Code Enforcement

- ▶ 4 Part-Time CSO's for Code Enforcement

- ▶ Fleet Repairs (unanticipated)  
\$75K

- ▶ Duty Weapon Replacements  
\$105k

- ▶ Operating Costs \$1M -18% increase



# Fire – 93 Positions (88 sworn officers)

## ▶ General Fund

- ▶ Delete 2 Battalion Chiefs (40 hr)
- ▶ Add 2 Division Chiefs
- ▶ Fire Chief Equity Salary Adjustment (9%)
- ▶ SAFER Grant Positions -24
  - ▶ Grant Expire March 2027
- ▶ Total Non-SAFER Funded Positions = 52.18 (47.18 sworn/5 non-sworn)

## ▶ Measure C

- ▶ Total Positions 11.3 sworn
- ▶ Operating Costs \$1.1M-8% increase

## ▶ CFD

- ▶ Total Positions = 5.52 sworn

## ▶ Measure Y

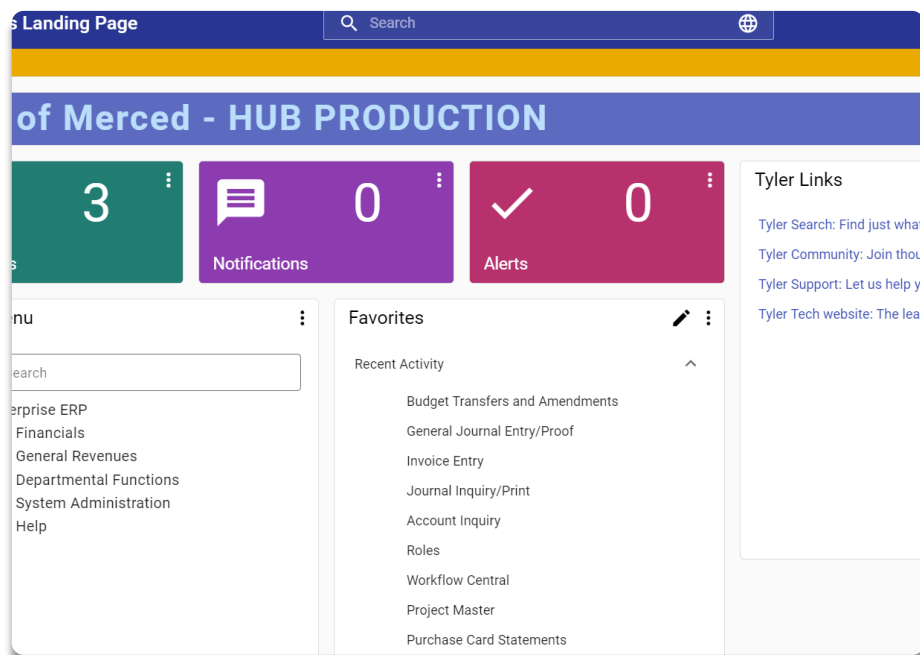
- ▶ 2 Cardiac Monitors \$120k
- ▶ Weed Abatement \$80k
- ▶ Narcotics Safe

# Administration



- ▶ City Council
  - ▶ Recommended Stipend \$1000/\$1,250 month
    - ▶ Add \$23,575 to Shortfall
- ▶ City Manager
  - ▶ 2 Part-Time Interns
  - ▶ Delete 2 Peer Support Specialist
    - ▶ CalVIP Grant Expired 12/31/25
  - ▶ Compensation Study \$150k
- ▶ City Clerk
  - ▶ 1 Part-Time Deputy City Clerk
    - ▶ SB707 and Public Records Requests

# Administration



- ▶ Human Resources
  - ▶ Add HR Director \$217K
    - ▶ GF (44%) 95K
    - ▶ Other Funds (56%) \$122K
- ▶ Info Technology
  - ▶ Add Cyber Security Specialist II \$154k
    - ▶ GF (45%) \$69k
    - ▶ Other Funds (55%) \$85k
  - ▶ End of Life Server Replacements \$80k
  - ▶ End of Life Wireless Access Point Replacements \$30k
  - ▶ ERP Allocation \$0
- ▶ Other
  - ▶ \$2 million RDA Residual revenue
  - ▶ Arts funding carryover \$70,500
  - ▶ No allocation for Community Funding

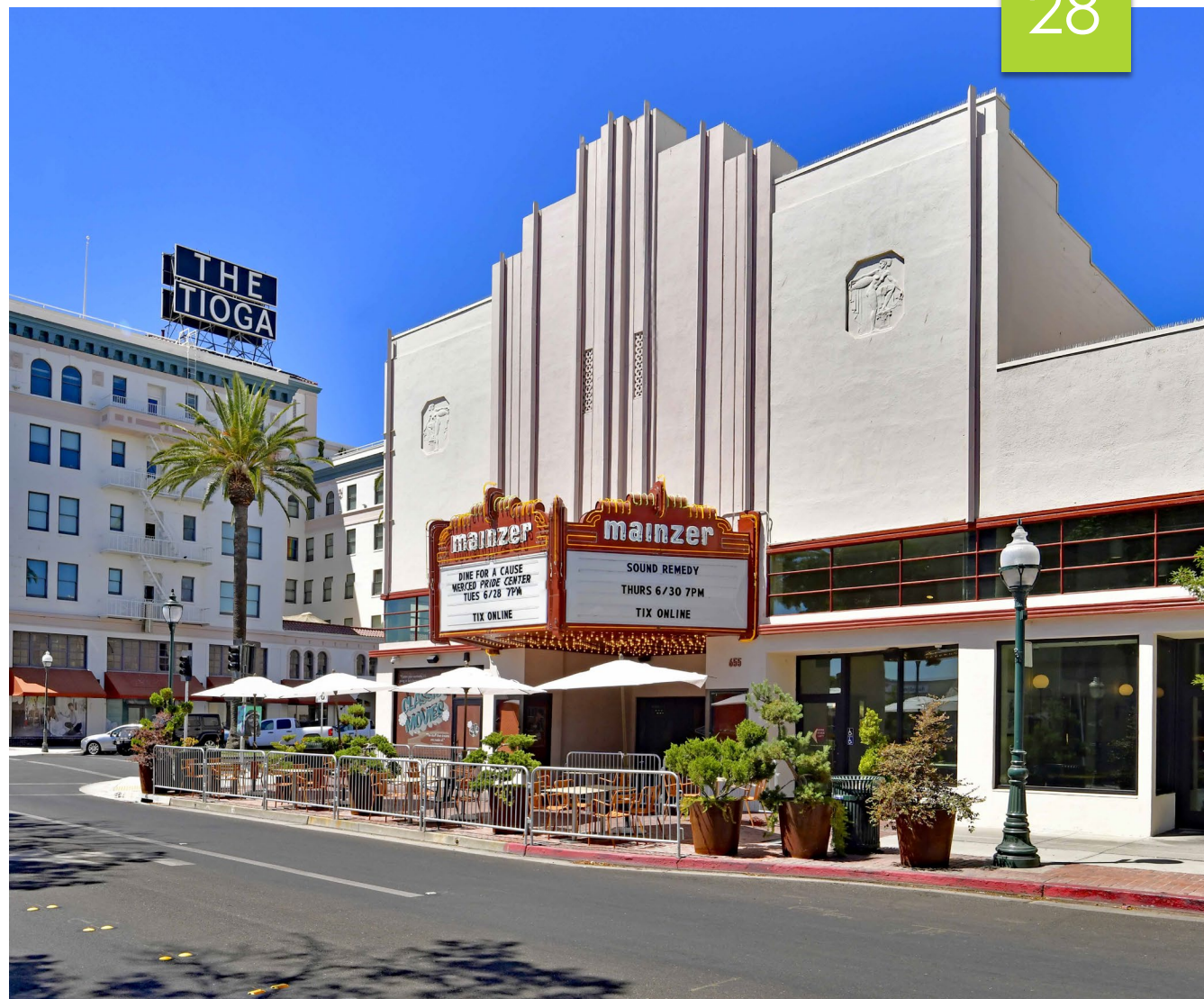
# Development Services/Housing

- ▶ Fee Increases Effective 7/2/26-  
Balanced Budget
  - ▶ Fee Study approved April 2026
  - ▶ New Fund 3008 General Plan Update Fee
    - ▶ 5% of certain BP types
    - ▶ Future costs of General Plan updates, housing elements, and zoning code
- ▶ Housing Deficit
  - ▶ FY 26/27 **(\$159,000)**
    - ▶ Affordable Housing Fund (80%) \$127k
    - ▶ General Fund (20%) \$23k



## Downtown/Economic Dev/Airport

- ▶ Property Based Improvement District (PBID)-2% increase
- ▶ Tourism Based Improvement District (TBID)-3% increase
- ▶ Sale of Bell Station
- ▶ Airport Deficit
  - ▶ Completion of new Terminal
  - ▶ New carrier-Contour Air
  - ▶ GF Transfer \$354k
  - ▶ Other Opportunities to increase revenue

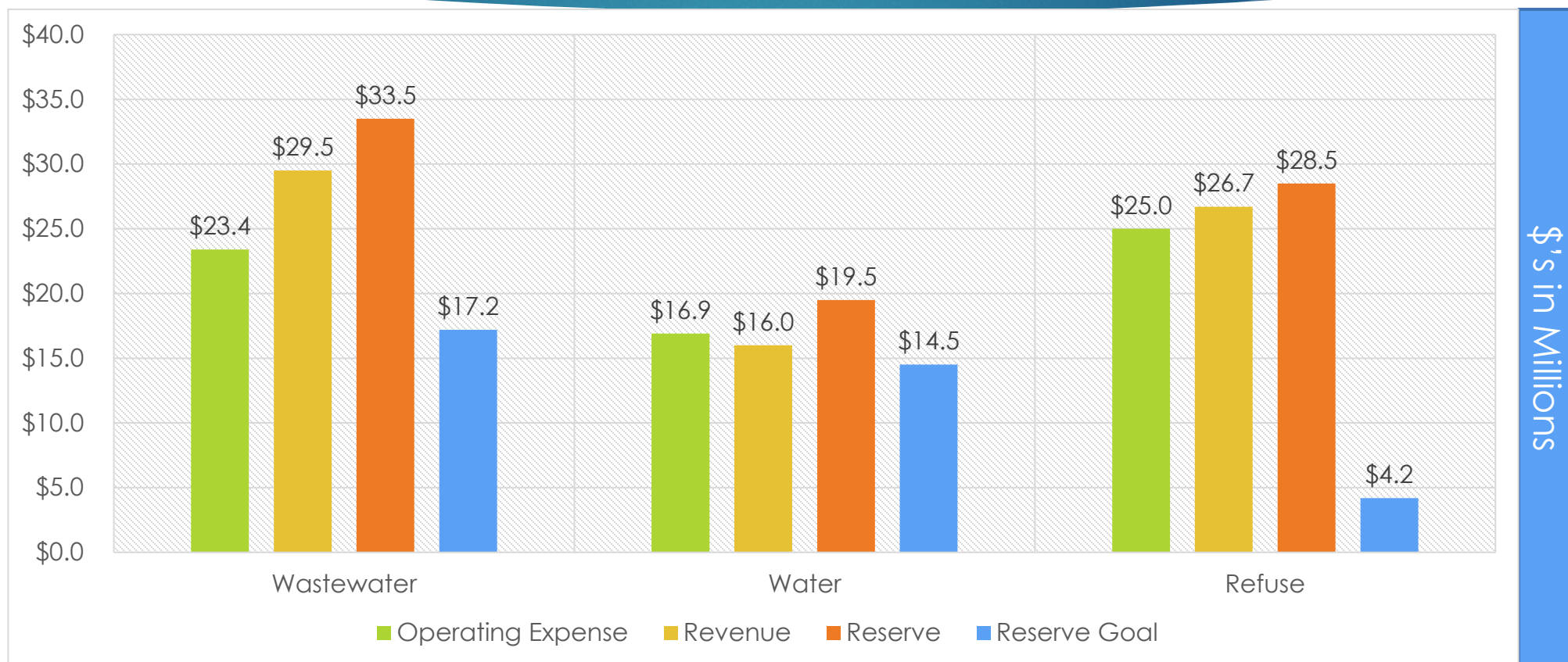


# Public Works-Staffing



- ▶ Add 2 Maintenance Worker I/II-Streets and Refuse
- ▶ Delete Water Distribution Quality Assurance Tech and add Water Distribution Operator III
- ▶ Add Storekeeper-Fleet Maintenance \$94k
  - ▶ GF (17%) \$17k
  - ▶ All other funds (77%) \$77k

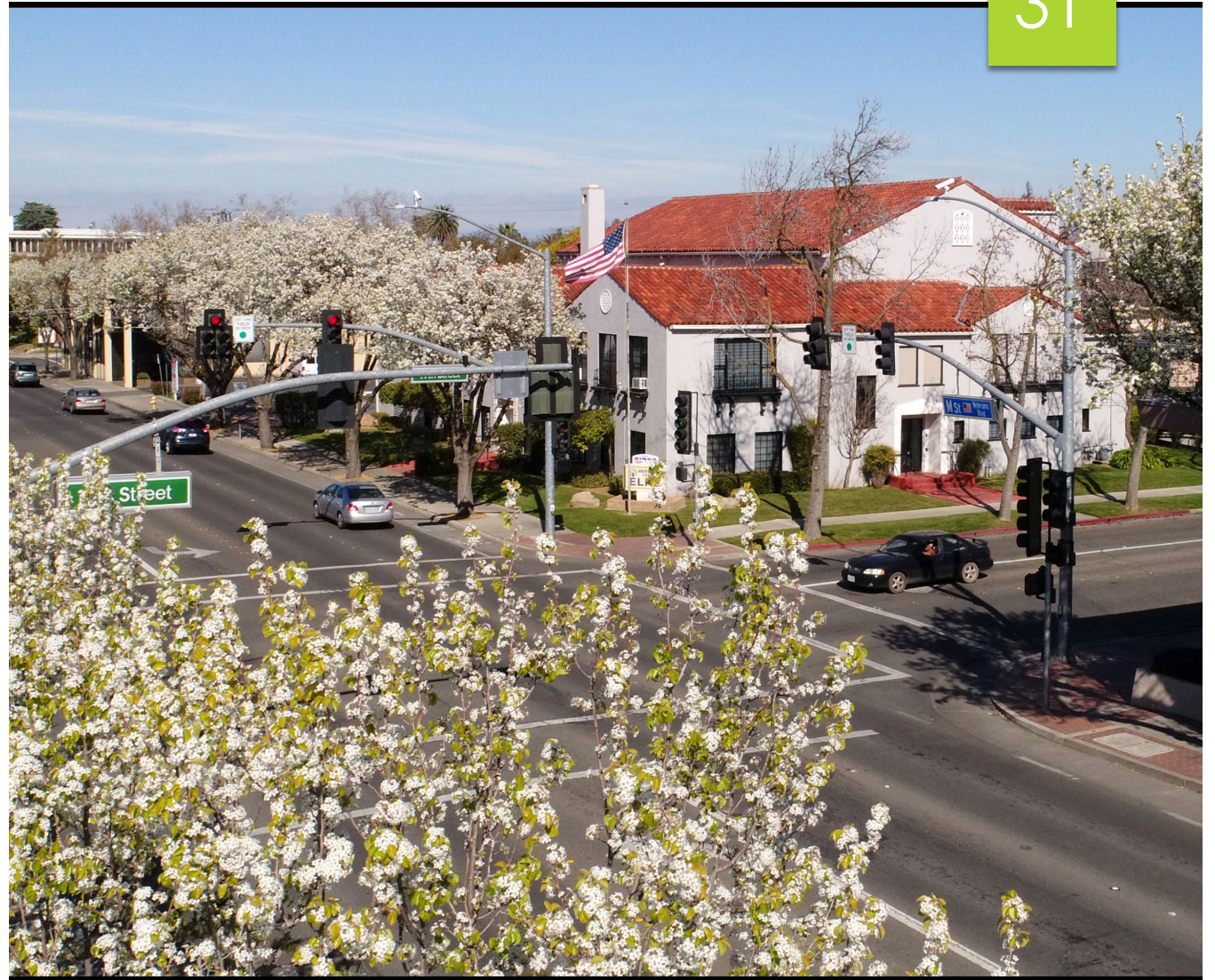
# PW-Enterprise Fund Summary



Rate Studies in progress for all utilities.

# Public Works

- ▶ Admin
  - ▶ SCADA Room Roof Reseal \$17k
  - ▶ Service Center Partitions \$17k
- ▶ Fleet
  - ▶ Oil Containment Tanks \$30k
  - ▶ Hwy 59 Shop Carport \$50k
- ▶ Civic Center
  - ▶ 3<sup>rd</sup> Floor Fire Alarm \$13k
  - ▶ Replace restroom partitions (1<sup>st</sup>&2<sup>nd</sup> floor) \$28k



# Public Works

- ▶ Measure C-Roads 5%
  - ▶  $\frac{3}{4}$  Ton Truck \$80k
  - ▶ 10 wheel dump truck \$250k
  - ▶ Boom Truck (25% shared) \$200k
- ▶ Enterprise Capital Projects
  - ▶ WW-Programmable Logic Controller \$3.4M
  - ▶ Water/Refuse-Corp Yard Asphalt Repairs \$350k



# Parks

- ▶ Measure Y -40%
  - ▶ Bike Path Maintenance \$53K
  - ▶ Tree Trimming \$100k
  - ▶ Park Maintenance \$75k
  - ▶ McNamara Pool Fence \$35k
  - ▶ Ada Givens Pool Fence \$35k
  - ▶ Playground Deductibles
    - ▶ Frederick Douglas \$25k
    - ▶ Kingsland \$25k
  - ▶ Cellular Tower Agreement
    - ▶ Rahilly Park \$30,000



# Capital Projects



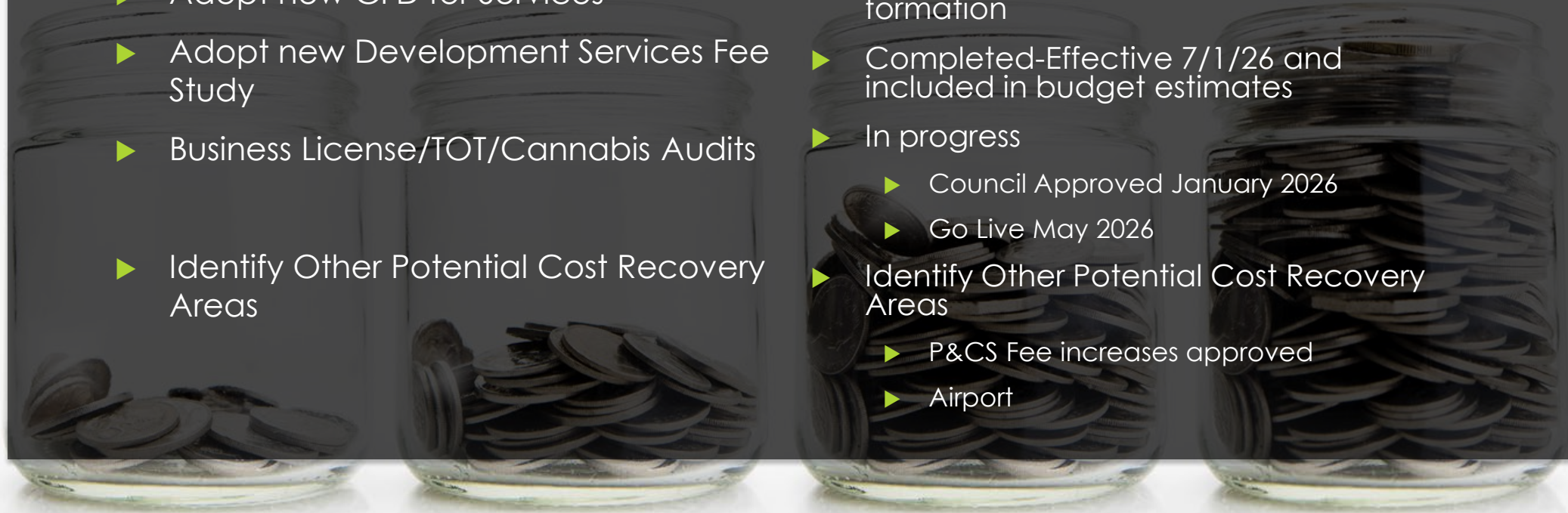
## ► Streets

- Bellevue Road Bike Path-New \$300k (UCM)
- APS Polara-Push Buttons @ Schools-add \$100k
- Downtown Concrete Light Poles-add \$40k
- Canal/Childs Sidewalk Improvements-add \$200k

# Roads Projects Available Funding

| <b>Fund</b> | <b>Funding Source</b>                | <b>PTBD</b>         | <b>Unappropriated</b> | <b>Total</b>        |
|-------------|--------------------------------------|---------------------|-----------------------|---------------------|
| 2007        | Gas Tax-SB1                          | \$ 3,315,841        |                       | \$3,315,841         |
| 2008        | Measure V-Alternative Modes          | 759,145             |                       | 759,145             |
| 2009        | Measure V-Local Transportation       | 3,794,680           |                       | 3,794,680           |
| 2031        | Measure C-Roads                      |                     | 582,822               | 582,822             |
| 3006        | Surface Transportation Program (STP) | 3,241,991           |                       | 3,241,991           |
| 3007        | Local Transportation                 | 209,269             |                       | 209,269             |
|             | <b>Total</b>                         | <b>\$11,320,926</b> | <b>\$582,822</b>      | <b>\$11,903,748</b> |

# Fiscal Stability-Revenues

- 
- ▶ Adopt new CFD for Services
  - ▶ Adopt new Development Services Fee Study
  - ▶ Business License/TOT/Cannabis Audits
  - ▶ Identify Other Potential Cost Recovery Areas
  - ▶ New citywide CFD- Services pending formation
  - ▶ Completed-Effective 7/1/26 and included in budget estimates
  - ▶ In progress
    - ▶ Council Approved January 2026
    - ▶ Go Live May 2026
  - ▶ Identify Other Potential Cost Recovery Areas
    - ▶ P&CS Fee increases approved
    - ▶ Airport

# Budget Options-\$1.3 M Shortfall

## Leave As Is

- \$1.3M out of balance
- 1-2 year fix
- Credit rating impact

## Clear the Shortfall #1 (staff recommended)

- T'fer \$740k from Reserve (one-time emergency funding)
- T'fer Op PD Costs to CFD \$150k
- T'fer Op PD/Fire Costs to Measure C \$250k
- T'fer from Trust 115 \$153k
- 1 year fix

## Clear the Shortfall #2

- T'fer \$740k from Reserve (one-time emergency funding)
- Other identified expense reductions
- T'fer from Trust 115
- 1 Year fix

\*No option is sustainable long term

# Questions?

## Council Budget Discussion

