



CITY OF MERCED

May 11, 2022

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

Re: Presentation of Fiscal Year 2022/2023 City Manager's Recommended Budget

Honorable Mayor and City Council:

I hereby submit the Fiscal Year 2022/23 City Manager's Recommended Budget for your review and consideration, in accordance with City of Merced Charter Section 501(b). The total Proposed Budget of \$383.4 million, and General Fund of \$56.9 million, was thoughtfully developed in partnership with your department heads and staff representing a comprehensive, balanced, and sustainable plan for the upcoming fiscal year.

General Overview

The City of Merced's economic outlook is strong. Sales Tax and Property Tax receipts are outperforming current year projections, and total General Fund revenues are budgeted to include a projected 8% increase based on mid-year revised estimates. Citywide, single-family, and multi-family construction continues to be robust. With the county's unemployment improving to 8.3%, over 11.4% in 2021.

The proposed budget adheres to 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 economic uncertainty.

Council Goals & Priorities

At the direction of the City Council, staff invited residents to participate in two community town hall meetings and a strategic planning session to collect community input. Subsequently, staff engaged residents in a community survey and asked participants to prioritize needs for the City's one-time \$27.4 million in American Rescue Plan Act (ARPA) funding. Data received was compiled and presented to the City Council to develop the Fiscal Year 2022/23 Goals & Priorities, including the following:

Downtown & Economic Development:

To reinforce the renaissance in Downtown Merced, staff is working to establish a Property-Based Improvement District (PBID) that will replace the Maintenance District and eliminate double business license fees. \$1.75 million of ARPA funding will support Downtown enhancement projects, including \$800,000 for the expansion and redesign of Bob Hart Square, \$200,000 for streetscaping and \$750,000 for a one-way redesign of Main Street. Additionally, the Substandard Property Taskforce will continue to address unsecured, abandoned buildings.

The City will continue to focus on providing a business-friendly culture welcoming new capital investment. The proposed budget includes \$50,000 to examine future industrial and technology park areas. Additionally, staff will explore participating in the Northern San Joaquin Valley Community Economic Resilience Fund (CERF) planning grant to foster long-term economic resilience in a post-COVID economy and a local apprenticeship program to create career pathways. A Tourism Based Improvement District (TBID) is at the forefront to support the hospitality industry.



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Housing & Homelessness:

The City along with private organizations and public agencies will cooperate to find alternative housing options creating access to available beds for unhoused residents. Additionally, partnerships with local and state agencies involved with public space management will assist with beautifying public areas.

Work to evaluate options for a regional or local housing trust fund continues as part of the City Council's affordable housing efforts. The City was awarded multiple housing grants, including \$2.5 million for a first-time homebuyer down payment assistance and owner-occupied rehabilitation program, \$1.3 million to support a 67-unit affordable housing project, \$24 million for a 95-unit motel conversion project, and \$4.2 million for a 21-unit permanent supportive container housing project. In addition, Council allocated \$6.5 million of ARPA funding for affordable housing. The proposed budget includes \$7.7 million in funding to support affordable housing projects and related community services.

Merced's General Plan will be updated, incorporating Council direction on housing policies, new State legislation, required SB 244 analysis, and Specific Plans, focusing on neighborhoods such as South Merced and Downtown. Approximately \$1 million will come from development fees to fund the update.

Merced Unity Project:

As part of the ARPA spending plan, programs were designed to promote equity and deepen the City's commitment to social responsibility.

- *Stimulus & Residential Utility Bill Programs*—The City's Stimulus Payment Program offers 2,000 City residents who served as essential service workers during the pandemic an opportunity to apply for a one-time \$500 payment, and more than 600 struggling households will be eligible to apply for financial assistance through the Utility Bill Relief Program.
- *Youth Job Training & Regional Economic Development Planning*— Partnering with the Merced County Department of Workforce Investment, \$1 million will fund a youth job training program. As previously discussed, CERF efforts will focus on the economic recovery plan for the Northern San Joaquin Valley region.
- *Community Violence Prevention & Nonprofit Support*— A continued priority in our community is to save lives by ending cyclical and retaliatory violence. \$500,000 remains allocated to explore a similar program to Advanced Peace. \$1.5 million in funding to support nonprofit organizations through a Council directed RFQ process remains to bolster programs that support and uplift vulnerable residents in our community.
- *Expanded Community Facilities & Engagement*— Applegate Zoo is a precious community icon. \$2 million will fund renovations, including much needed upgrades to enclosures and walkways for the safety of the zoo's inhabitants. \$5 million will partially fund Community Park 42 (CP42), to support youth sports programs and provide a large public outdoor recreational complex. Lastly, with Council support, community programs and events will return to the City.
- *Community Access to Broadband*— \$2.6 million will support a regional broadband capital improvement project to provide citywide digital connectivity.
- *Public Art* - Council approved \$100,000 to various public art projects, highlighting our culturally diverse community.



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Parks & Recreation:

The Parks & Recreation Department provides youth development programs and services promoting community involvement. \$8,000 of Measure Y funding will maintain the scholarship program. The City Council desires to have more interaction and access to the Merced Youth Council. Park upgrades include lighting at McNamara and Joe Herb parks supported by \$350,000 of Park Reserve funding. To improve overall park experience, other improvements include equipment repairs, restroom restorations, and enhancements to mini-parks, supported by additional Measure Y funding of \$300,000.

Other investments funded by Measure Y and the General Fund include a youth Teal Top street hockey program, baseball field upgrades, Senior Center back patio renovation, a truck for the Zoo, and an administrative analyst to support expanded community programs.

Public Safety:

Through community focus groups, online surveys, and additional outreach methods staff is evaluating the viability of a future Measure C ballot measure. Input shared by our community confirms the importance of safety services and traffic solutions funded by Measure C. This data will be presented to City Council for direction on a potential ballot measure in the upcoming year. As previously noted, violence prevention programs like Advance Peace remain in the budget.

To support solutions to traffic safety, \$120,000 in funding is proposed from Measure Y to purchase equipment aimed at speed reduction, including traffic signalization. Additionally, \$75,000 from engineering fees is requested to conduct a traffic safety study in the Loughborough neighborhood.

Facility and equipment requests include \$875,000 to purchase one fire engine and \$750,000 to replace eleven police vehicles from Measure C. Measure Y funding is recommended for the continued construction of Hawk Center Training Facility to provide space for the paramedic program. The budget continues the use of Measure Y funding for the Reserve Officer Program and various upgrades to equipment and electronic records software to maintain compliance with new State legislation.

Public Works & City Beautification:

- *Streets, Sidewalks* – Over \$3 million in funding is recommended in the proposed budget from Measure V and SB 1 for new street rehabilitation projects and quiet zone enhancements across the City. In addition, the creation of a new Safe Streets Project is recommended, with \$1 million from Measure C to replace neighborhood streetlights with brighter LED lights. Additionally, a federal program will provide funding for 13 projects including the transit hub, a traffic signal synchronization program, multi-use path projects on Motel Drive and Childs Ave., and six sidewalk projects throughout the City.
- *Sustainability* – ARPA funding in the amount of \$2.5 million is allocated to support water efficiency rebates and prevent waste and overuse. Water is critical and essential to support Merced's growth. Funding will also be used to enhance access to energy efficient appliances to underserved residents.
- *Beautification* - Merced's urban forest relies on consistent maintenance from our Public Works Department. Continued investment of \$350,000 to support tree pruning and replacement is in the proposed budget. Additionally, \$150,000 is included to repair the M Street Eucalyptus bike path and \$650,000 from Caltrans to install four welcome signs at city entry points.



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- *Public Art* – In addition to the City Council allocation of \$100,000, the City will facilitate the selection and installation of seven murals on Caltrans facilities provided by \$350,000 in funding from the Clean California grant. In addition, staff will return with a report on the use of graffiti abatement to explore potential future mural sites.

Quality of Life in Merced:

The City of Merced provides high quality municipal services as expected by residents. As we work to provide services, City staff will continue to explore the following areas: commercial truck parking enforcement, ordinance options for blighted vacant buildings and abandoned shopping carts, code enforcement options for illegal activity at local hotels, which includes support of the Community Law Court, and support of the County's enhanced Trap, Neuter, and release program.

These priority areas coupled with the City Council's adopted Guiding Principles provide the foundation for building community while providing exemplary municipal services. The City Manager's Recommended Budget reflects funding across all priority areas for Fiscal Year 2022/23.

Our residents are proud, and our community is strong. Your City staff is committed to embracing challenges and implementing bold policy decisions that effectively support the City's fiscal sustainability. As stewards of public resources, we are dedicated to delivering efficient, high-quality services that benefit our residents and secure the City's future.

Sincerely,

Stephanie R. Dietz
City Manager