



CITY OF MERCED

MERCED

May 5, 2023

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

Re: Presentation of Fiscal Year 2023/2024 City Manager's Recommended Budget

Honorable Mayor and City Council:

I hereby submit the Fiscal Year 2023/2024 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 \$405.7 million, and General Fund of \$59.8 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 shifting. Sales Tax and Property Tax receipts align with current year projections, and total General Fund revenues are budgeted to include a projected 2% increase compared to the FY 2022/23 Budget. Citywide housing construction continues at a slower rate than in previous years. Permits for single-family units have decreased by 30%, while permits for multifamily units are consistent with prior year levels.

Because the economic outlook of the city is uncertain, the proposed budget adheres to prudent fiscal principles, including the following: 1) maintaining existing services and programs with no net increases to staffing; 2) planning for investments in affordable housing, parks, streets, and other public spaces throughout the city; and 3) increasing funding to reserves and contingencies to protect against economic volatility.

Council Goals & Priorities

At the direction of the City Council, staff invited residents to participate in three community town hall meetings and a strategic planning session to collect community input. Data received was compiled and presented to the City Council to develop the Fiscal Year 2023/24 Goals & Priorities, including the following:

Downtown & Economic Development:

To reinforce the renaissance in Downtown Merced, staff continues to work with the downtown business community to develop a Property-Based Improvement District (PBID) that will replace the Maintenance District and eliminate double business license fees. \$1.75 million of previously allocated ARPA funding is supporting 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 continues to address unsecured, abandoned buildings.

The city continues its focus on providing a business-friendly culture welcoming new capital investments. The proposed budget includes \$50,000 to examine future industrial and technology park areas in South Merced and \$10,000 toward small business grant funding opportunities. Additionally, staff is 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. Finally, a Tourism Based Improvement District (TBID) is planned to support the hospitality industry.



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Housing & Homelessness:

The city, private organizations, and public agencies continue collaborating to explore alternative housing options to create 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.

The city is supporting the development of housing programs and projects through multiple 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. The fiscal 2023/24 budget augments an initial allocation of \$6.5 million in ARPA funding with an additional \$1 million to support these and other affordable housing projects.

The update to Merced's General Plan will begin this fiscal year, 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. An additional \$1 million is recommended to support existing funding to complete this work bringing the total programmed amount to \$2 million.

Merced Unity Project:

As part of the ARPA spending plan developed in 2022/23, the following programs were designed to promote equity and deepen the City's commitment to social responsibility. The city continues to support these vital programs.

- Residential Utility Bill Payment Program –The Utility Bill Payment Program offers City residents who served as essential service workers during the pandemic an opportunity to apply for financial support to assist with delinquencies.
- Youth Job Training & Regional Economic Development Planning – Partnering with the Merced County Department of Workforce Investment, \$2.2 million has been allocated to fund the youth jobs training program. As previously discussed, CERF efforts will focus on the economic recovery plan for the Northern San Joaquin Valley region.
- California Violence Intervention and Prevention Program (CalVIP) – A continued priority in our community is to save lives by ending cyclical and retaliatory violence. Grant funding of \$1.3 million has been allocated to support the three-year CalVIP program.
- Community Funding - \$30,000 is available to nonprofit organizations through a Council directed RFQ process to bolster programs that support and uplift vulnerable residents in our community.
- Community Park 42 (CP 42) - In 2022/23, the City Council allocated \$5 million to support this project. An additional \$3.35 million has been assigned to fund other sports fields and lighting at CP42. This regional park project will soon support youth sports programs and provide a large public outdoor recreational complex. Lastly, with Council support, community programs and events will continue.
- Applegate Park Restrooms – On May 1, 2023, the City Council added an additional \$425,000 to allow for the remodel of restroom facilities at Applegate Park. The restrooms located nearest to the Zoo, Kiddieland, and the playground will be renovated, providing safe, clean facilities.



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Parks & Community Services:

The City's parks, green spaces, and bike paths support well-being by providing space for relaxation, exercise, and community gatherings. The Parks & Community Services Department also provides youth development programs and services that promote youth involvement. The City Council continues to encourage and support more interaction and access to the Merced Youth Council. Additional projects include sidewalk improvements, ADA ramp installations, playground, and bike path maintenance with a recommended increase of \$243,741. In addition, \$2 million in ARPA funding remains programmed to support the Applegate Zoo Renovation project.

Due to significant reductions in Measure Y funding, the Department is experiencing a \$500,000 shortfall. Options to address this gap will be presented to the City Council on May 15, 2023.

Public Safety:

To support the City's Safe Streets Phase 1 program, \$1,000,000 in additional funding is recommended to continue the installation of new LED streetlights citywide.

Facility and equipment requests include \$300,000 to purchase ambulances, \$300,000 to refurbish the Reserve Fire Truck, and \$125,000 to address Fire facility and equipment maintenance. Additionally, \$10,000 will be allocated to support a female fire academy program. The budget continues using Measure Y and Measure C funding for the Police Reserve Officer Program and various upgrades to Police equipment and electronic records software to maintain compliance with new State legislation.

Public Works & City Beautification:

- *Streets, Sidewalks* – Over \$2.3 million in funding is recommended in the proposed budget from Measure V and SB 1 and other state and federal streets programs for new street rehabilitation projects and quiet zone enhancements across the city. Additionally, federally funded programs will continue to 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 other sidewalk projects throughout the city.
- *Sustainability* – Water funds will be evaluated to develop a water conservation rebate program. Staff will return to the City Council for implementation.
- *Beautification* - Merced's urban forest relies on consistent maintenance from our Public Works Department. A continued investment of \$200,000 to support tree pruning and replacement is in the proposed budget.
- *Public Art* – An additional \$100,000 will be made available to artists within the city to allow for a new round of project evaluation. This funding will complement the existing projects underway and the installation of eight murals on Caltrans facilities provided by \$350,000 in funding from the Clean California grant.

South Merced Study and Improvements:

The FY 2023/24 Budget recommends allocating \$350,000 in one-time funding to support a robust community outreach program and new improvement projects in South Merced. Projects include crosswalk and lighting infrastructure, enhanced entryways, and facade grant funding to support economic development opportunities. Additionally, the city is pursuing \$300,000 of Transformative Climate Communities (TCC) Planning Grant funding from the California Strategic Growth Council Grant to support investments in community-led climate resilience projects. The Planning grant is the first of three grant-funded phases recommended to incorporate wide community input in the design and implementation of



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transformative projects.

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 and RV parking enforcement, ordinance options for blighted vacant buildings and abandoned shopping carts, code enforcement options for illegal activity at local hotels, options for enhanced Community Messaging, and an evaluation of employee retention and compensation options.

These priority areas, and the City Council's adopted Guiding Principles, provide the foundation for building community while delivering exemplary municipal services. The City Manager's Recommended Budget reflects funding that demonstrates fiscal stewardship across all priority areas for Fiscal Year 2023/24.

Our residents and businesses are valuable partners, as are the dedicated people we have on staff who hold critical roles in our city's success. At the direction of the City Council, staff continues to allocate available resources to make historic investments in programs and services our community deems vital. In addition, sound, conservative financial planning is at the core of our budget development efforts, which places the city in a position of strength, allowing us to embrace our commitment to leveraging emerging opportunities and maintaining vital community services.

Sincerely,

Stephanie R. Dietz
City Manager