



Legislation Text

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SUBJECT: Quarterly Revenue Update for Fourth Quarter of Fiscal Year 2019-2020 Including Requests for Approval of Additions and Deletions of Personnel Positions and Supplemental Appropriations in the General Fund in the Amount of \$450,000, Fund 017-Development Services in the Amount of \$34,150 and Fund 558-Refuse Operating Fund in the amount of \$123,787

REPORT IN BRIEF

Provide a Quarterly Revenue update for the fourth quarter of Fiscal Year 2019-2020 and request approval of recommended changes to Personnel Positions and/or budget.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving the addition of a Management Analyst and the deletion of an Administrative Assistant III effective September 7, 2020 in the Fire Department; and,
- B. Approving the addition of a Senior Planner and the deletion of an Associate Planner effective September 24, 2018 in the Planning Division; and,
- C. Approving a Supplemental Appropriation from the unencumbered, unreserved Fund Balance in Fund 017-Development Services in the amount of \$34,150 due to the costs associated for recommendation B above; and,
- D. Approving the addition of a Housing Program Supervisor and the deletion of a Housing Program Manager in the Housing Division; and,
- E. Approving the addition of two new Refuse Equipment Operator III positions in the Refuse Division; and,
- F. Approving a Supplemental Appropriation from the unencumbered, unreserved Fund Balance in Fund 558-Refuse Operating Fund in the amount of \$123,787 due to the costs associated for recommendation D above; and,
- G. Approving a Supplemental Appropriation from the unencumbered, unreserved General Fund Balance in the amount of \$450,000 and transferring \$180,000 to the Revenue Stabilization Fund, \$180,000 to Trust 115-Pension, and \$90,000 to the Economic Development Opportunity Fund; and,
- H. Authorizing the Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

1. Approve, as recommended; or
2. Approve, subject to other than recommended (identify specific findings and/or conditions amended to be addressed in the motion; or
3. Deny; or
4. Continue to a future meeting (date and time to be specified in the motion).

AUTHORITY

Charter of the City of Merced, Section 200 and Section 1105.

DISCUSSION

The purpose of this agenda item is to provide the City Council with a revenue update for the fourth quarter (April-June) of Fiscal Year 2019-20 and to request changes to personnel and/or budget due to needs that have been identified since the budget was adopted on June 15, 2020.

On Friday, March 13, 2020, the President of the United States declared a national emergency due to the novel coronavirus (COVID-19) outbreak. This followed the March 4, 2020 state of emergency that was declared by Governor Newsom. The City of Merced also declared a local emergency as the Director of Emergency Services. On Friday, March 20, 2020 in order to keep employees and citizens safe the City Manager closed City Hall. Due to governor's orders over the next several months, several non-essential businesses were required to close or provide alternate methods of conducting business in order to slow the spread.

The coronavirus pandemic came at a crucial time in the budget process for Fiscal Year 2020-21. This was an unprecedented event. Therefore, City staff was unsure how this would impact revenues and the sustainability of the budget. In reviewing data provided by consultants to determine how local government could estimate impacts and using analysis based on City of Merced specific activities, the Finance Department created revised estimates for Fiscal Year 2019-20 and created conservative revenue estimates for 2020-21. During the budget presentations staff committed to updating the City Council quarterly with actual revenues received in comparison to budget estimates. If needed recommended adjustments to the budget would be presented at that time.

The update to be provided in this report is for April, May, and June 2020. This is also the last 3 months of the Fiscal Year 2019-20; therefore, most of the revenue detail provided will be for the entire 2019-20 fiscal year.

Although we did see some impacts to revenues due to COVID-19 in the areas of business license, school resource officers, fire prevention fees, and parks and recreation program fees compared to the original budget there was still continued activity through the end of the year and so the actual revenue received came in at revised estimates or higher.

In the areas of Sales Tax and Transient Occupancy Tax (TOT) we did not see a decline and receipts exceeded the original budget on a cash basis. According to data provided by HdL, sales tax consultant, the deferred sales tax option given to businesses by the State was not as popular as was expected. Sales Tax reports for the April through June 2020 quarter compared to prior year same

quarter reflect increases in Auto and Transportation, State and County pools (likely due to online purchasing), building and construction, and food and drugs. There were decreases in General Consumer goods, restaurants and hotels, fuel and service stations, and business and industry.

There were no reductions expected or estimated for property tax or vehicle in lieu revenues. Property tax came in minimally under budget by .35% or \$25,315. We did have a large unexpected increase in vehicle in lieu fees of 8% or \$517,574 for a total of \$6,773,574 for the 2019-20 fiscal year.

The total amount received for Measure Y-Cannabis for the year was \$1,154,070. The first Cannabis dispensary began doing business in October 2019 and two more followed in the 3rd quarter of the fiscal year. The receipts received are for less than three quarters of the year. The City Council adopted the Fiscal Year 2020-21 budget appropriating \$633,397 of this Measure Y revenue.

The table below reflects the Fiscal Year 2019-20 adopted budget assumptions compared to revised budget estimates due to anticipated COVID-19 impacts and to actual receipts at June 30, 2020. The revenues listed below were those identified as most likely to be negatively impacted by COVID-19.

General Fund Revenues	FY 2019-20 Original Budget	FY 2019-20 Revised Budget Estimate	FY 2019-20 Actual
Sales Tax	\$12,750,000	\$11,950,000	\$12,987,007
Transient Occupancy Tax	\$1,762,370	\$1,300,000	\$1,787,880
Business License	\$1,390,000	\$1,320,000	\$1,319,591
School Resource Officers	\$668,343	\$450,008	\$453,297
Fire Prevention Fees	\$230,000	\$190,000	\$222,781

Other Revenues	FY 2019-20 Original Budget	FY 2019-20 Revised Budget Estimate	FY 2019-20 Actual
Measure C Sales Tax	\$6,607,000	\$6,229,000	\$6,852,814
Parks and Recreation Programs	\$398,173	\$331,878	\$314,888
GF transfer to Recreation	\$1,454,979	\$1,394,232	\$1,341,751
Gas Tax	\$3,599,279	\$3,395,608	\$3,462,765

Including the revised revenue amounts, it was estimated the General Fund would end Fiscal Year 2019-20 with a balance of \$8.6 million. Due to the actual revenues received as well as some savings in expenditures, the preliminary year-end balance is \$11.6 million, a positive difference of \$3 million. Since the City is still finalizing Fiscal 2019-20 year-end transactions this number is preliminary, but staff is confident that if it changes it will not be by much.

As a reminder the Fiscal Year 2020-21 budget was developed and adopted with the following adjustments because of anticipated reductions in revenue due to COVID-19 and in order to present a balanced budget:

- No increases to operating budgets

- Removed the Welcome Center
- Shifted \$540,000 in expenses from General Fund and Measure C to Cannabis
- Added a transfer from \$400,000 from Development Services to the General Fund
- Added \$330,000 withdrawal from Trust 115-Pension for the General Fund
- Unfunded Several Positions
 - 1 Park Worker
 - 1 Accounting Technician
 - 1 Dispatcher
 - 2 Police Officers (Measure C)
 - .50 Housing Manager (Housing Administration)
- Shifted positions from the General Fund to CFD
 - .50 Firefighter
 - 1 Senior Officer
 - .50 Park Worker
- Did not include any transfers from the General Fund to Revenue Stabilization Fund, Trust 115-Pension, or Economic Development Opportunity Fund

RECOMMENDATIONS

General Fund

Fire Department-Add a Management Analyst and Delete an Administrative Assistant III

Due to fiscal pressures on the City over the past few years, there has been an appropriate and greater emphasis on staffing fire companies to provide emergency response. This has resulted in a reduction in the fire department's administrative staff making it challenging to coordinate and lead the department and is no longer sustainable. A restructuring of current staffing is necessary to meet the administrative needs of the department. The current organizational chart reflects that the organization does not currently meet the needs of a department of its size. Unlike the Police and Public Works Department who have dedicated Management Analysts and Administrative Analysts, the fire department lacks analytical positions dedicated to supporting the Chief and his command staff. The current Administrative Assistant III has the knowledge and skills to step into the new Management Analyst position. Due to the shortage in administrative needs the Administrative Assistant III historically works several hours in overtime and standby pay annually. The annual estimated cost for a Management Analyst is \$104,823. Reclassifying the position to Management Analyst will make it overtime exempt which will result in a budget savings of \$5,500 per fiscal year.

Annual Set-Aside

Each year during the budget process funding is set aside for the Revenue Stabilization Fund, Trust 115-Pension, and the Economic Development Fund. The amount of funding is calculated based on prior year savings. Due to the uncertainty in revenues the budget did not include a recommendation to set aside funding. Now that we know that the Fiscal Year 2019-20 ended positive, Staff feels it is fiscally prudent and is recommending to appropriate funding to transfer to these three different City Council policy adopted programs. Based on the prior year savings calculation the recommendation is to appropriate \$450,000 to transfer \$180,000 to Revenue Stabilization Fund, \$180,000 to Trust 115-Pension, and \$90,000 to Economic Development Opportunity Fund.

Development Services

Planning Division-Add a Senior Planner and Delete an Associate Planner

The Senior Planner is necessary to reflect the level of technical and professional work being performed by the current Associate Planner. This change will also allow for some responsibility shifting specifically in the areas of State Housing and the Housing Element which would have been performed by the Housing Manager position which is not being proposed to be amended back to a Housing Supervisor. The annual estimated cost for a Senior Planner is \$123,325. There is an increased cost difference of \$19,520 annually to reclassify the positions. A Supplemental Appropriation for Fiscal Year 1920-21 is needed in the amount of \$34,150.

Housing Division-Add a Housing Program Supervisor and Delete a Housing Program Manager

As part of the Budget process for this current fiscal year the City Council did approve a Housing Program Manager Position and funding was included in the adopted budget. The City did conduct a recruitment for a Housing Manager in late 2019 which continued into early 2020. The position was advertised in Western City, posted on various housing industry message boards, and the normal City process - web site for example. The pool of candidates was reviewed and interviews were held to screen them. It was determined that the skill set to perform the functions of the position likely could not be achieved by those in the applicant pool. It has been determined that filling a position to provide assistance to the Division and the public is a priority. Currently the Division is continuing to work on the Childs and B St. affordable housing project, the 2020-2024 Consolidated Plan and First Year Annual Action Plan, COVID CARES public services, project monitoring, and other activities. Adjusting the position to the Housing Supervisor level is more likely to find a candidate that can fulfill the functions and responsibilities of the position. Responsibilities that would have been associated with the Housing Program Manager level can be allocated to positions within the Planning Division including the Senior Planner Position. This change does not increase the number of positions within the Division. It only modifies the Housing Program Manager to a Housing Program Supervisor. The annual cost for a Housing Program Supervisor is \$113,606. There is a cost reduction of \$28,392 annually if the position is changed.

Public Works

Refuse Division-Add two Refuse Equipment Operator III

City future housing growth has increased. Fiscal Year 2019-20 growth included 800 new single-family residential units and 76 new multi-family units, with projections for at least an additional 500 new residential and new multi-family units. The Refuse division is beginning to be affected by this growth in that two routes will need to be added to accommodate for the increase in customers. Additional Refuse Equipment Operators have not been added to the budget since FY 17/18; with the current and future growth, as well as maintaining adequate minimum staffing levels, the addition of 2 positions are now needed. These new positions have been included in the adopted Refuse Rate Study. The annual estimated cost for a Refuse Equipment Operator III is \$92,840. A supplemental appropriation is needed of \$123,787 to cover two additional positions from November 2020 to June 2021.

IMPACT ON RESOURCES

If the recommendations are approved the following is required:

Supplemental Appropriation from the unencumbered, unreserved Fund Balance in Fund 017-

Development Services in the amount of \$34,150. Funding is available.

Supplemental Appropriation from the unencumbered, unreserved Fund Balance in Fund 558-Refuse Operating Fund in the amount of \$123,787. Funding is available.

Supplemental Appropriation from the unencumbered, unreserved Fund Balance in the General Fund in the amount of \$450,000. Funding is available.