



Legislation Text

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SUBJECT: Review, Discussion and Direction Regarding Community Funding Requests, Water Rates, Parks and Community Services Program Fees, and of the City of Merced Fiscal Year 2023/24 Budget

REPORT IN BRIEF

Review of the Community Funding Requests, Discussion and Direction on Water Rates and Parks and Community Services Program Fees, and the City Manager's proposed FY 2023/24 Budget.

RECOMMENDATION

For information and discussion only.

AUTHORITY

Charter of the City of Merced, Section 1104.

CITY COUNCIL PRIORITIES

As provided for by the City Council during priority setting session.

DISCUSSION

The City Council and the Public to be presented the proposals for Community Funding and City Manager's proposed FY 2023/24 budget.

Water Rate Update

The last Water Rate and Connection Fee study was completed and adopted by the City Council on November 5, 2018. The water rate study indicated 2% increase annually to rates and fees over 3 years. As of 2022-23 the adopted ordinance requires the City to increase its fees per a consumer price index (CPI) annually until the next Water Rate Study is completed and adopted. In May 2022, staff recommended to the City Council to not increase the water rates since there was a plan to complete a water rate study and the operating fund was healthy. Unfortunately, due to some delays in finalizing the sewer master plan Public Works was unable to complete a water rate study. The city will be working on completing a new Water Rate Study in this coming fiscal year.

The current water rate for a single-family home is \$32.25, which includes a cumulative increase of \$1.86 over the last 4 years. If the city increases the Water Rate based on the ordinance it is scheduled to increase \$1.94 (6%) and would be effective 7/1/2023. Attached you will find the last 4 years of increases and what the increases would be if we implemented per the ordinance.

The Water operating fund continues to be financially stable and healthy. It is recommended that it should have a six-month reserve and it is currently carrying two years of reserves. Due to the healthy reserve, the large increase the CPI would create, and to be consistent with Council direction on other fees staff is recommending no increases to water rates at this time.

In order to not increase the water rates the City Council would need to adopt a resolution stating the water rates will not increase in July 2023. If the City Council agrees with this direction a resolution will be presented to the Council at the June 5, 2023 Council meeting for adoption.

Parks and Community Services Program Fees

Due to the significant decrease in Measure Y-Cannabis Tax, the Parks and Community Services Department operating budget has a shortfall of \$511,538. Staff will present options to reduce the shortfall including, additional General Fund transfer, allocating Measure Y-40% Discretionary, increasing program revenues, and/or reducing the expense budget. Staff will request Council Direction on how they would like to reduce the shortfall. Attached are proposed increases to program fees. Although, increasing fees will not eliminate the shortfall but help reduce it, if the City Council agrees with this direction, a resolution will be presented to the Council at the June 5, 2023 Council meeting for adoption.

Community Funding Proposals

As is customary during the Budget process, staff released an RFP on March 27, 2023 to allow for local community groups to provide proposals for funding in support of the City Council's adopted Goals & Priorities for FY 2023/24. Proposals were due to the City on April 21, 2023, with a total of 6 proposals submitted for City Council consideration as summarized below:

	Organization Name	Project Description	Term	Amount
1	League of United African American Citizens (LUAAC)	anti-bullying / fentanyl awareness	1 year	\$ 35,000.00
2	Merced Youth Soccer Association (MYSA)	help high school students prepare for college/career	1 year	\$ 25,650.00
3	Merced Lao Family Community	Hmong traditional music & cultural instruction	1 year	\$ 15,000.00
4	Calvary Assembly	Isaiah Project	1 year	\$ 5,200.00
5	Robert Rojas Foundation	opiate education & training	1 year	\$ 119,481.60
6	Merced County Nut Festival	2023 Merced County Nut Festival	1 year	\$ 7,000.00
				\$ 207,331.60

The Council Sub-Committee on Budget is in the process of scoring proposals. Staff will work to present the aggregated scores for full Council direction once they are received.

FY 2023/24 Budget

In accordance with the Merced City Charter Section 501(b), staff will present the City Manager Recommended Budget for FY 2023/24, with a total proposed budget of \$405.7 million, General Fund

amount of \$59.8 million, for the City Council's consideration. Staff will be requesting direction to eliminate the \$511, 538 shortfall in the Parks and Community Services Operating Fund.

ATTACHMENTS

1. Water Rate Schedule
2. Parks and Community Services Proposed Program Fees
3. FY 2023/24 Budget Message
4. FY 2023/24 Budget Presentation