



Legislation Text

File #: 24-061, **Version:** 1

Report Prepared by: Venus Rodriguez, Finance Officer

SUBJECT: Mid-Year Budget Review for Fiscal Year 2023-2024, General Fund Supplemental Appropriations and Budget Amendments in Various Funds Totaling \$1,699,187

REPORT IN BRIEF

Presents the Fiscal Year 2023-2024 Mid-Year Financial Report, seeks approval of General Fund Supplemental Appropriations and Budget Amendments in Various Funds totaling \$1,699,187.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund Balance in the amount of \$20,000 and appropriating in the City Manager's Division personnel expense accounts; and,
- B. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$14,000 to amend a Professional Services agreement with our lobbyist to include grants; and,
- C. Approving the addition of one Accountant I/II position in the Finance Department; and,
- D. Approving an increase to Administration Revenue from the Successor Agency in the General Fund in the amount of \$30,000 and appropriating the same in the Finance Department personnel expense accounts; and,
- E. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$20,000 and appropriating in the Purchasing Division for surveillance cameras; and,
- F. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 8503-Asset Forfeiture in the amount of \$56,000 transferring to the General Fund, and appropriating the same to the Police Department for the subscription to the National Integrated Ballistic Network (NIBIN); and,
- G. Approving an increase to Cost Recovery revenue account in the General Fund in the amount of \$170,875 and appropriating the same plus interest earned totaling \$175,435 in the Police Department for opioid settlement planned program expenditures; and,
- H. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund

balance in the amount of \$56,200, transferring to Fund 3002-Bell Station for utility and remediation expenditures; and,

I. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$200,000 for PPE for Safer Grant approved positions; and,

J. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$75,000 and appropriating in the Fire Department for an EMS Revenue Analysis; and,

K. Approving the deletion of one Business & Aviation Manager position and adding one Airport Manager; and,

L. Approving **Resolution 2024-24**, A Resolution of the City Council of the City of Merced, California, Amending the Salary Range for the Airport Manager Position within the Economic Development Department; and,

M. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 2000-Downtown Fund in the amount of \$78,000, transferring to Fund 4019 Downtown Maintenance District, and appropriating the same for maintenance until PBID begins maintaining; and,

N. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 2001-Measure C in the amount of \$460,000 for the replacement of the Fire Station Alerting; and,

O. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 2004-Measure Y-Parks and Recreation 20% in the amount of \$30,000 due to the minimum wage increase; and,

P. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 2004-Measure Y-Parks and Recreation 20% in the amount of \$18,000 for soccer goals and nets; and,

Q. Approving **Resolution 2024-25**, A Resolution of the City Council of the City of Merced, California, Amending the Salary Range for the City Engineer within the Development Services Department; and,

R. Approving a Supplemental Appropriation from the unreserved, unencumbered fund balance in Fund 3505 Facilities-Roadways Developer 50% in the amount of \$466,552 due to the approval of Settlement Agreement with Yosemite & G LLC; and,

S. Approving the deletion of one PW Manager-Operations, adding one PW Manager-Refuse, and adding one PW Manager-Internal Service; and,

T. Approving **Resolution 2024-26**, A Resolution of the City Council of the City of Merced, California, Declaring the Infeasibility of using Public Bidding to Purchase certain Vehicles and Authorizing Limited Direct Purchases; and,

U. Approving **Resolution 2024-27**, A Resolution of the City Council of the City of Merced, California, Amending the Classification Plan by Updating the Personnel Allocation in the Finance Department by Adding One Accountant I/II Position; the Public Works Department by Deleting One Public Works Manager-Operations Position, adding One Public Works Manager-Refuse position, and adding one Public Works Manager-Internal Services position; and the Economic Development Department by deleting one Business & Aviation Manager and adding one Airport Manager; and,

V. Authorizing the Finance Officer to make any 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 1105.

DISCUSSION

Mid-Year Update

The purpose of the Mid-Year update is to provide the City Council with a reconciliation on how the City ended Fiscal Year 2022-23, a General Fund update for the current Fiscal Year 2023-24, and to request changes to the budget due to needs that have been identified since the budget was adopted on June 20, 2023.

Beginning Fund Balance July 1, 2023

The table below reflects the Fiscal Year 22-23 adopted budget assumptions compared to actual fund balance on June 30, 2023.

Fund	FY 2023-24 Actual Beginning Balance	FY 2023-24 Beginning Budget Balance	Savings or (Deficit)
General Fund	\$15,246,251	\$11,488,571	\$3,757,680
Development Services	\$4,218,656	\$2,868,575	\$1,350,081
Parks & Community Services	\$318,927	\$161,803	\$157,127
Airport	\$134,932	\$654,974	(\$520,042)
Measure C	\$7,531,924	\$6,553,187	\$978,737
Measure Y	\$1,021,111	\$575,168	\$445,943

Fiscal Year 2023-24

The City Council adopted the Fiscal Year 2023-24 budget for all funds on June 20, 2023. Subsequent to the budget adoption, there have been several actions approved by the City Council that affected the budget.

General Fund Expenditures

The City Council has approved revenue increases of \$195,257 with equal offsetting expenditures. In addition, there has been \$1,225,545 in Supplemental Appropriations and \$868,128 in revenue increases for the following:

Trap and Release Program	\$260,000
Bell Station Mold Remediation	38,400
AFG Award	<u>927,145</u>
Subtotal Appropriations	<u>1,225,545</u>
AFG Award Revenue	<u>868,128</u>
Net Appropriations	<u>\$357,417</u>

MID-YEAR RECOMMENDATIONS

City Manager’s Department (Recommendation A and B)

The transition in the City Manager’s position has created an unanticipated shortfall in the personnel expense budget due to the payout of accruals earned by the previous City Manager at separation. An appropriation of \$20,000 is needed to cover the remainder of the fiscal year.

Staff is requesting an additional appropriation of \$14,000 (\$3,500 per month for March-June) to add grant services with Renne Public Policy Group (RPPG), the city’s current lobbyist. While the city has a sound record for securing housing related grants, awards for other grant applications have not been as fruitful. The city applied for Round 5 of the Transformative Climate Community Planning Grant and Board of State and Community Corrections Retail Theft Prevention Grant, and neither were awarded. RPPG provides a unit specializing in identifying, supporting, and assisting with preparing grants. The city does not have a grants writer on staff. There will be an ongoing additional cost of \$42,000 per year which we be included in the budget process for future years.

Finance Department (Recommendation C, D, and E)

The Finance Department has seen an increase in expectation, workload, and reporting requirements from internal as well as external agencies. The grant awards have grown exponentially over the last several years along with financial statement reporting analysis and requirements. As the city grows and takes on more programs, funding, etc. it has become evident that additional resources are needed. Currently the accounting staff works after hours and on weekends consistently in order to get tasks done and to meet deadlines. An Accountant I/II position would help provide additional resources needed. This position will perform a full range of accounting functions including, budget, financial statement preparation, banking, year-end preparation, grant monitoring and reporting, and financial analysis.

This fiscal year the city became the Successor Agency to the dissolved Redevelopment Agency. This

has also created additional work for our staff, but the program also allows us to recover administrative costs. The total annual cost of an Accountant I/II position is \$106,100 which includes salary and benefits. The estimated cost for the remainder of this fiscal year is \$30,000. The estimated amount to be received for administration to the Successor Agency for this fiscal year is at least \$30,000 which would offset this expense. In future years, the Finance Department will be reducing an extra help Accountant position. Between this reduction and administrative recovery from the Successor Agency it is expected that there will be no additional cost to the General Fund.

The City of Merced Purchasing Division is located at 2525 O St. They have a small office, an internal yard, three small warehouses, and a main warehouse next to Applegate Park. Break ins into the yard have become a common issue. Although the yard is secured by cyclone fence with barbed wire, people cut through the fence or climb on the roof to get in. They have cut the padlocks to get into the warehouses. Last year they stole three generators that had been stored there and had to be replaced. We consistently receive calls from the alarm company after hours in which we have to dispatch police.

The Purchasing Division is requesting a budget appropriation in the amount of \$20,000 to install five cameras that will monitor activities within the main yard and outside of the facility, including the skatepark parking lot and the office main entrance. This system should help to deter future break ins and also record any activities which will increase the personal safety of staff and customers. This is a one-time cost to install and set-up. There will be an ongoing cost of \$160 per camera that will be included in the budget process.

Police Department (Recommendation F and G)

Forensic Technology IBIS ACCESS is a subscription service for automated ballistic identification and analyzation. Many law enforcement departments utilize this technology and Merced PD would have the ability to share and compare ballistic evidence across local, regional and national networks. IBIS is the backbone of the National Integrated Ballistic Information Network (NIBIN) providing a valuable database of ballistic intelligence that can help link firearm crimes nationwide.

This technology allows Merced PD to scan, upload and analyze the cartridge casings located at the scene of a shooting as well as firearms that have been previously seized or collected by the Merced PD over the last several years. Results from the analysis is received the same day versus six months if the casings were sent to a crime lab. Currently there are over 2,700 firearms logged into Merced PD evidence and over 2500 cases where firearm cartridge casings were located at the scene of a crime that need to be analyzed. This type of technology will allow investigators to establish new leads on unsolved firearm related crimes as well as future investigations. It also gives the PD the ability to retain the cartridge casing analysis as evidence so the firearms can be eventually sent for destruction. Most of the 2000 plus firearms in evidence cannot be sent for destruction until authorized by the District Attorney's Office, as they may have been used in an unsolved firearm related crime.

Currently, this service is not available in Merced County. MPD is able to use the NIBIN in Stanislaus County dependent on priority. When it is used it requires an officer to take time to travel and be away from the city, therefore, not efficiently using resources. Once the service is put in place there is a potential to allow other local law enforcement agencies to use it for a cost recovery fee which could

help to offset ongoing costs.

The one-time cost to place NIBIN in service including installation of equipment and set-up is \$56,000. Merced PD is requesting to make this purchase with Asset Forfeiture funds so it will not impact the General Fund. Ongoing annual subscription cost is estimated to range between \$44,000 and \$56,00 which will be included in the budget process.

Beginning in Fiscal Year 2022-23, the City of Merced began receiving Opioid Settlement funding. These funds are required to be used in specific ways and submit annual reports. The police department has created a plan to establish a Drug Awareness Campaign which is an eligible use of the funds. This includes connecting people who need help to the help they need and helping to prevent misuse of opioids. The city has received \$170,875 to date. The request is to increase revenue and appropriate the funding plus allocated interest of \$4,560, total \$175,435.

Bell Station (Recommendation H)

The city is continuing to make efforts to release the Bell Station either back to the US Department of Interior or to another public agency. Department of Interior staff toured the Bell Station and found a mold issue in one of the basement offices which is currently being used as storage. In order to move forward with a transaction, the City was required to test for asbestos and remove the mold. The tests showed there was mold in the basement and mold and asbestos in the first-floor offices. Mold has already been remediated in the basement. Additional funding is needed to remediate the mold and asbestos on the first floor. Once the mold and asbestos are removed, the city may proceed with the Department of Interior to either return the building or transfer it to another public agency. Furthermore, the rents received for the tenants are not keeping up with the increasing power and natural gas costs. Staff is requesting a supplemental appropriation from the General Fund in the amount of \$56,200 for the following:

Utilities:	\$25,000
Mold Remediation	\$21,000
Asbestos Remediation	<u>\$10,200</u>
Total	\$56,200

Fire Department (Recommendation I, J and N)

The Fire Department was awarded a FEMA SAFER grant for an additional 24 employees. The grant did not include the required purchases for personal protective equipment (PPE). It is estimated the cost for PPE for 24 firefighters will be \$300,000. Initially, the Fire Department estimated they could make these purchases from their adopted operating budget. Due to supply chain demands and inflation, the cost of this equipment, including facemasks, turnouts, boots, etc. has increased significantly. The Fire Department has determined that they can make purchases of \$100,000 from their operation budget but will need an additional \$200,000 from the General Fund to purchase the required equipment.

The Fire Chief has been working towards creating an Emergency Medical Services Division. The first step was revising the fee structure to include an emergency medical transport fee. Since the City has not provided this service in this manner in the past it is difficult to understand the revenue

that would or could be generated from this program. We are recommending \$75,000 be appropriated from the General Fund in order to complete an unbiased revenue study for this program with an outside consultant.

The current station alerting system is not supported and is in an “end of life” status. Station alerting is what controls the requests for service from dispatch to the stations, including the lights, tones, bell, and text messages. Due to updates in technology since the current Motorola product was put in place, it is now computer based. It is estimated the one-time cost of the hardware and installation will be \$460,000 and is requested to use Measure C funding. An annual ongoing subscription cost will be approximately \$24,000 and will be included in the budget process.

Economic Development Department (Recommendation K and L)

Staff is recommending the Business & Aviation Manager position be transitioned to a full-time Airport Manager. Originally, the position was to be split 50% Economic Development and 50% Airport. With the proposed change, the Deputy City Manager will continue to serve as the Director of Economic Development. Staff is recommending the Airport Manager salary be changed from \$150,250 (Step 3) to that of the Planning Manager, \$159,990 (Step 3). Although this is an increase to the positions salary, ultimately there is an annual savings in the amount of \$21,464 by changing the position from a Business & Aviation Manager (\$181,454) to an Airport Manager (\$159,990).

Traditionally, the Airport Manager position has focused on regulatory compliance with the Federal Aviation Administration and Transportation Security Administration. The Merced Yosemite Regional Airport is undergoing many changes including the construction of a new airport terminal building. The Airport Manager’s role will be transitioning to include capital improvement project management, grant writing and administration for new equipment and airfield improvements, updated marketing to attract more enplanements and new aviation clients and investors, aviation business development, and possibly seeking a new business to serve the airport. Eventually, the main task of the Airport Manager will be to get MYRA less dependent on the General Fund.

Parks and Community Services (Recommendation O and P)

During the FY 23-24 budget process, the City Council allocated most of the Measure Y Discretionary 40% of the cannabis tax to Parks and Community Service. This created an additional \$71,697 over what was needed for the budget. The Council was told that this amount would be held in fund balance until a need was identified through out the year. Parks and Community Services have identified the need for additional funding. Due to the minimum wage increase effective January 2024, it is estimated that an additional funding of \$30,000 is needed to pay for extra help staff assigned to different recreation programs. There is also a request for purchasing soccer goals and nets at McNamara Park to replace the equipment currently owned by outside organizations for an estimated cost of \$18,000.

Development Services (Recommendation Q and R)

In May 2023, the City Engineer resigned. Currently the city is employing an annuitant limited to working 960 hours per fiscal year. There have been several unsuccessful recruitment attempts. A licensed City Engineer is a very important position and required by the Charter. In order to attract an experienced, licensed professional it is recommended that the salary be amended and increased.

The new annual cost of the City Engineer would be \$210,539 at a step 3, including benefits compared to the current annual cost of \$182,672. This would be an increase in cost of \$27,867. There are currently salary savings due to the vacancy in the adopted fiscal year 2023-24 budget that would cover any additional costs for this year.

On February 5, 2024, the City Council approved a Settlement Agreement with Yosemite & G LLC. The agreement approved a reimbursement of \$466,551.80 for “oversizing” of city roads built during the construction of their development project per the Public Facilities Finance Plan Policy adopted by the City Council. Funding for the reimbursement will come out of Impact Fee funding for Facilities-Roads Developers 50% and will not impact the General Fund.

Public Works Department (Recommendation M, S, and T)

The Property Based Improvement District (PBID) in Downtown Merced was created with an effective date of January 1, 2024. Per prior City Manager direction, parcels contained within the Downtown Maintenance District and the newly created PBID area would only be assessed for the PBID. This created a six-month funding gap for the period of July 1, 2023, through December 31, 2023, for the Downtown Maintenance District. Staff is proposing a transfer of \$78,000 from the Downtown Business Improvement Area Fund to offset some of these costs. Since we are continuing to provide service since the PBID board was not ready take over services we will be requesting reimbursement of some the costs including the continued use of a Park Worker. Once there is an agreement between the City and PBID on baseline services they will be included in the General Fund Parks budget.

Currently the Public Works Manager-Operations is a split position and oversees the Refuse (85%), Fleet (10%) and Facilities (5%) divisions. Over the last few years there has been an increased need for a full-time manager to oversee the Refuse Division, as well as additional oversight needed in the Fleet Division as it continues to grow. It has been difficult for one manager to oversee all of these areas at a level in which is needed. Public Works is recommending removing the “Operations” manager and adding a “Refuse” manager to be funded 100% from the Refuse Operating Fund and adding an “Internal Service” manager to oversee Fleet (95%) and Facilities (5%). The cost of a Public Works Manager position is \$145,582 annually including benefits. The change in personnel will create an increase in cost to the Refuse Division of \$21,837 and to Fleet in the amount of \$123,745. Since Fleet is an internal service division it would increase future costs to all departments with active fleet equipment.

Current market conditions, including supply chain disruptions and long lead times, continue to make it impractical for the City to bid and award contracts for the purchase of vehicles that meet the City’s immediate needs. When we have been successful getting vendors to respond to our bid processes, we have seen lead times increase from nine months up to 18-24 months or when we are ready to purchase, they can no longer honor the bid. The inability to obtain vehicles necessary in a timely manner is impacting the ability to provide essential services. City staff has determined that some vehicles may be obtained timely and at a reasonable price directly from a dealership manufacturer. California law provides that where competitive proposals work in incongruity and are unavailing as affecting the final result or where they do not produce any advantage or where the competitive bidding processes would be impractical and would not serve the purpose of competitive bidding then public entities need not comply with competitive bidding. Section 3.04.21 of the City of Merced’s

Municipal Code vests in the City Council the authority to waive the competitive bidding requirements in instances where the City Council deems it appropriate. Last year the City Council approved a similar resolution which expired June 30, 2023. Under that resolution we were able to purchase 7 vehicles with local vendors totaling \$309,804.61. This was an average of \$44,000 per vehicle. Since this continues to be a challenge, we are requesting the approval of another resolution. The proposed resolution allows the Fleet Division to forego competitive bidding to purchase vehicles directly from a dealership or manufacturer. The resolution has some controls built in that include each vehicle purchase cannot exceed \$100,000 and staff can only use this method for purchases not to exceed \$900,000.

ATTACHMENTS

1. Resolution 2024-24 Amending Salary Range for the Airport Manager
2. Resolution 2024-25 Amending Salary Range for the City Engineer
3. Resolution 2024-26 Declaring Infeasibility of Public Bidding for Vehicles
4. Resolution 2024-27 Amending the Classification Plan