



Legislation Text

File #: 24-547, Version: 1

Report Prepared by: Scott McBride, City Manager and Venus Rodriguez, Finance Officer

SUBJECT: Public Hearing to Allow the Interested Public an Opportunity to Provide Input on the Content of the City Council, Public Financing and Economic Development Authority, Parking Authority, and Successor Agency to the Redevelopment Agency of the City of Merced Fiscal Year 2024-25 Proposed Budget and After Hearing all Comments Continue the Public Hearing to June 17, 2024

REPORT IN BRIEF

Public Hearing to afford the interested public an opportunity to provide input on the content of the 2024-25 City Council, Public Financing and Economic Development Authority, Parking Authority, and Successor Agency to the Redevelopment Agency of the City of Merced Proposed Budget.

RECOMMENDATION

City Council/Public Financing and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency of the City of Merced - It is recommended that the City Council/Authorities/Successor Agency conduct the Public Hearing and provide direction to the City Manager on the content of the Fiscal Year 2024-25 Budget; and adopt a motion continuing the Public Hearing to the June 17, 2024, Council Meeting.

ALTERNATIVES

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

AUTHORITY

Charter of the City of Merced, Section 1104.

DISCUSSION

Fiscal Year 2024-25 Proposed Budget

The City's budget relies on a variety of revenue sources which are used to fund public services in many areas. Because the General Fund provides the most flexibility in expenditures and is the primary source of funding for Public Safety, as well as Parks and Community Services, the overall health of this fund is extremely significant.

It is anticipated that revenue for the 2024/25 fiscal year will be higher than FY 2023/24 Budget. Property and Sales Tax are approximately 43% of the General Fund. Vehicle in Lieu fees represent another 15% of the revenue for this fund. Over the next fiscal year it is anticipated that all the revenue sources comprising the General Fund are anticipated to be 14% higher than the prior year. Of this increase, 6% is attributed to the FEMA - Safe and Affordable Funding for Equity and Resilience (SAFER) Grant. This grant has allowed the City to add twenty-four fire fighter positions during the 2023/24 year, which will continue for a three-year term.

Given the current economic climate, the proposed budget for 2024/2025 prioritizes fiscal responsibility by adhering to the following principles: 1) Strategically allocating resources for investments in essential areas such as affordable housing , parks, streets, and other public amenities citywide. 2) Enhancing allocations to reserves and contingencies to safeguard against potential economic fluctuations.

On May 20, 2024, staff presented the City Council with the City Manager recommended budget for Fiscal Year 2024-2025. The total City proposed budget for FY 2024-25 is \$422.5 million. It includes the deletion of 7 positions and adds 14 positions, with a net addition of 7 new positions, totaling at 558 full-time positions. Four positions, three police officers and one Peer Support Specialist in the City Manager's office are unfunded.

As proposed, the General Fund estimated revenue is \$63.5 million and estimated total operating expenditures is \$61.2 million, which leaves an operational surplus of \$2.2 million. The General Fund FY 2024-25 budget also includes non-operating expenditure recommendations for Community Funding, District Elections, Repair of the Civic Center HVAC chiller and boiler, repair of the Shannan Arcade HVAC chiller and continued set-aside funding for the Enterprise Resource Planning system, Economic Development Opportunity Fund, Trust 115-Pension, Affordable Housing and the General Fund Reserve.

In November 2020, the City Council adopted the General Fund Reserve Policy and Reserve. The adopted policy sets the reserve at 35% of annual operating expenses. For Fiscal Year 2024-25, 35% of annual operating expenses equals \$21,425,661, of which 30% is \$18,364,853 to be set-aside in a separate fund. Fund 1001-General Fund Reserve currently has \$16,700,377. To meet the required level of reserve an additional transfer of \$1,664,477 has been included in the proposed budget. The remaining General Fund Reserve of 5%, equaling \$3,060,809 will remain in the General Fund for contingency purposes but not available for spending.

Based on the method of allocation per adopted City Council policies, the amount proposed to be allocated for future planning in the City Manager's recommended budget are as follows:

<i>Future Planning Resources</i>	<i>Amount</i>
General Fund Reserve-30%	\$1,664,477
Economic Development Opportunity Fund	\$77,400
Trust 115-Pension	\$193,500

Affordable Housing	\$116,100
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Staff presented the City Manager recommended FY 2024-25 budget to the Tax Transparency Commission for approval on May 13, 2024. The Measure C proposed budget includes a total of 10.3 fire and 17.49 police authorized positions. On July 1, 2024, we will see the start of the new Measure C ballot initiative which will supersede the old Measure C. The ordinance adopted as part of the new Measure C ballot requires the Sales and Transaction Tax revenue be split 95% to Public Safety and 5% to Roads maintenance. Fund 2030 and 2031 were created in order to correctly track the funding for proper use. There is estimated to be \$9.9 million left in the old Measure C Fund 2001. In next years budget, funding was allocated to Police and Fire for one-time acquisitions or facility improvements in the Police Department including the replacement of 10 patrol vehicles, two Code Enforcement vehicles, and three Community Service Officer vehicles. The Fire Department has included the renovation of Station 53 of \$235,000. The proposed fund balance in Measure C meets the GFOA recommended minimum per City Council policy. The new Measure C ordinance also requires that the City meet FY 21-22 levels of spending in Police, Fire, and Roads. Based on the City Attorneys determination we are required to allocate at a minimum of \$36,898,630 for Police and Fire between the General Fund, CFD's, Measure Y, and Abandoned Vehicle Abatement funds. In FY 24-25 between these four funds the budget total is \$49,608,639 for Police and Fire. The Tax Transparency Commission accepted the Measure C proposed budget for FY 24-25. They also recommended to the City Council that they continue to use any balance of funds in the old Measure C Fund 2001 only for Police, Fire, and Roads.

In the last few years, balancing the Parks and Community Services operating budget has been a challenge due to expanding programming in FY 20-21 and 21-22 when significant revenues were received from Measure Y-Cannabis Tax. After 2020-21 cannabis tax began to significantly decline from \$3.1 million to current projections of \$1.8 million. Staff presented City Council with a way keep Parks and Community Services operating budget sustainable by proposing the following for programming:

- Allocate the Measure Y- Parks and Recreation 20% revenue of \$376,000.
- Allocate 50% of the Measure Y-Discretionary 40% revenue of \$376,000.
- Increase transfer from the General Fund by 12% (additional \$178,811) totaling \$1,619,353 which would become the new base.
- Increase revenues by implementing a new sponsorship program.
- Increase revenues by initiating field use fees per adopted fee schedules for McNamara and Nannini Soccer Fields which the city has historically waived.
- Reducing part time staffing levels and reducing the \$35,000 annual Boys and Girls Club contract by \$10,000.

If there are any requested changes by City Council or staff, a revised version of the budget with an Errata list will come to the City Council on June 17, 2024, for final approval.

ATTACHMENTS

1. City Manager Budget Message
2. June 3, 2024, Budget Presentation
3. May 20, 2024, Budget Presentation