



Legislation Text

File #: 20-244, Version: 1

Report Prepared by: Steven S. Carrigan, City Manager

SUBJECT: Continued Public Hearing to Allow Interested Persons to be Heard Prior to Adoption of Resolutions Adopting the City Council, Public Financing and Economic Development Authority and Parking Authority Fiscal Year 2020-21 Budget with Revision(s), if any, and Appropriation of the Revenue and Approval of the Capital Projects for Each Respective Budget

REPORT IN BRIEF

Continued Public Hearing and adoption of the Fiscal Year 2020-21 City Council, Public Financing and Economic Development Authority, and Parking Authority Budget.

RECOMMENDATION

City Council - Adopt a motion:

- A. Adopting **Resolution 2020-41**, Resolution of the City Council of the City of Merced, California, Adopting the Budget and Appropriating Revenue for Fiscal Year 2020-2021; and,
- B. Approving capital projects based upon the Planning Commission's June 10, 2020 finding of consistency of Capital Improvement Program with the General Plan and as modified by recalculation of carryover projects to reflect actual balances as of June 30, 2020.

Public Financing and Economic Development Authority - Adopt a motion:

- A. Adopting **Resolution PFA 2020-01**, Resolution of the City of Merced Public Financing and Economic Development Authority, Adopting the Budget and Appropriating Revenue for Fiscal Year 2020-2021; and,
- B. Approving capital projects based upon the Planning Commission's June 10, 2020 finding of consistency of Capital Improvement Program with the General Plan and as modified by recalculation of carryover projects to reflect actual balances as of June 30, 2020.

Parking Authority - Adopt a motion:

- A. Adopting **Resolution PA 2020-01**, Resolution of the City of Merced Parking Authority, Adopting the Budget and Appropriating Revenue for Fiscal Year 2020-2021; and,
- B. Approving capital projects based upon the Planning Commission's June 10, 2020 finding of consistency of Capital Improvement Program with the General Plan and as modified by recalculation of carryover projects to reflect actual balances as of June 30, 2020.

ALTERNATIVES

1. Approve, as recommended by City Manager; or
2. Approve, subject to other than recommended by City Manager (identify specific findings and/or conditions amended to be addressed in the motion); or
3. Deny; or,
4. Refer to City Manager 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, Sections 1104 and 1105.

DISCUSSION

At the onset of developing the FY 2020-21 City Manager's Recommended Budget, the City of Merced's financial outlook was positive. The City Council started the budget process by holding three town hall meetings. Taking input from residents, the Council established their upcoming Goals and Priorities for projects, programs, and funding to be included in the Proposed Fiscal Year 2020-21 Budget.

However, with the arrival of the novel coronavirus pandemic coupled with Governor Newsom's Stay-at-Home orders, the City of Merced's economic outlook was rapidly changing. After some analysis, we are expecting to see declining revenues in sales tax, transient occupancy tax, business license tax, inspection fees, and gas tax in Fiscal Year 2019-20 and 2020-21. The reduction in revenue is estimated to be \$5.4 million. With these challenges in mind, the City Manager recommended budget for Fiscal Year 2020-21 was completed with the priority of maintaining essential services to the community, minimizing impacts to existing staffing levels, and incorporating as many Goals & Priorities as allowed under current fiscal constraints.

On May 18, 2020 and June 1, 2020, staff presented the City Council with the City Manager recommended budget for Fiscal Year 2020-2021. The total City proposed budget for FY 2020-21 is \$265 million. It includes the deletion of 1 position and un-funding 5.5 positions, totaling 486.5 positions funded and 492 positions authorized. In order to mitigate the remaining budget shortfalls, one-time revenues were used to balance the General Fund and Measure C. The one-time uses include cannabis revenue of \$540,000 for police, fire, and recreation, \$400,000 from Development Services, and \$330,000 from Section 115 Pension Trust. This totals \$1,270,000 in one-time revenues, with General Fund using \$1,142,227.

As proposed, the General Fund estimated revenue is \$43.9 million and estimated total operating expenditures is \$43.9 million, which leaves an operational surplus of \$5,169. It includes shifting .50 of a firefighter, 1 senior police officer, and .50 of a park worker to Community Facilities District funds. The General Fund FY 2020-21 budget also includes non-operating expenditure recommendations for a November general City Council election, replacement of network switches, set-aside funding for the second phase of the Enterprise Resource Planning system, and phase 1 of the City Hall HVAC replacement.

The following Errata items are changes to the budget and if adopted will be included (see attachment

for details):

- Due to council approval of a contract at the June 1, 2020 meeting with McLaughlin Hay Services, revenue and expense for hay services in Fund 553 Wastewater Operations was added to the FY 20-21 budget.
- Determined additional funding of \$40,000 is needed for tree trimming, removal, and sidewalk repair in the Compass Pointe CFD, expense within Fund 165 was increased.
- Due to a request from MCAG to swap SB1-Local Partnership Program (LPP) funds for RSTP funds, several adjustments were made to Street Maintenance, RSTP, Measure V, SB1, and Streets and Signals CIP funds. These adjustments do not affect the dollar amounts we will be receiving. It only changes the resource program from which we will receive them. The funding is still being allocated for street maintenance and projects approved by the City Council as part of the SB1 and Measure V report.
- Increase \$3,000 in participant revenue and \$10,080 in expense for Summer Playground Program in July and August 2020 in Fund 024 Parks and Community Services. The difference of \$7,080 will be covered by a transfer from Fund 085 Measure Y Parks & Recreation 20% revenue.
- Increase \$20,000 for Boys and Girls Summer Program in Fund 024 Parks and Community Services. The cost will be covered by a transfer from Fund 085 Measure Y Parks & Recreation 20% revenue.

On June 8, 2020, staff met with the City Council's Budget Subcommittee. The committee discussed establishing a General Fund Reserve, the proposed Errata items, and how the General Fund could be impacted if the School Resource Officers agreement had to be renegotiated. The two items on the Errata List for Parks and Community Services was not included in the discussion with the subcommittee as it was included later in the week.

Due to the uncertainty in how we will end the fiscal year in revenues, the subcommittee thought a General Fund Reserve was a good idea but recommended bringing it back for discussion during the October quarterly update on revenues. There were no recommended changes to the budget at this time.

Due to COVID-19 and some committees not meeting, we were unable to present the proposed FY 2020-21 budget to the Measure C committee for approval. Measure C proposed budget includes unfunding a Senior Police Officer and a Police Officer. A total of 12.3 fire and 19.49 police authorized positions will not change but two will be unfunded. Once the Measure C committee begins to meet again, they will be updated.

The five-year Capital Improvement Program (CIP) was reviewed by the Planning Commission at the June 10, 2020 meeting and was found to be consistent with the General Plan as required by State Law.

ATTACHMENTS

1. City Council Resolution
2. Public Finance and Economic Development Authority Resolution
3. Parking Authority Resolution
4. Errata List
5. Fund Summary