



Legislation Text

File #: 22-321, Version: 1

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SUBJECT: Continued Public Hearing to Allow Interested Persons to be Heard Regarding the City Council, Public Financing and Economic Development Authority, and Parking Authority Fiscal Year 2022-23 Budget, Adoption of the Budget with Revision(s), 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 2022-23 City Council, Public Financing and Economic Development Authority, and Parking Authority Budget.

RECOMMENDATION

City Council - Adopt a motion:

- A. Adopting **Resolution 2022-37**, Resolution of the City Council of the City of Merced, California, adopting the Budget and Appropriating Revenue for Fiscal Year 2022-2023; and,
- B. Adopting **Resolution 2022-38**, Resolution of the City Council of the City of Merced, California, Adopting the Salary Range for the City Manager; and,
- C. Adopting **Resolution 2022-39**, Resolution of the City Council of the City of Merced, California, Adopting the Salary Range for the Finance Officer; and,
- D. Approving capital projects based upon the Planning Commission's May 18, 2022 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, 2022; and,
- E. Provide direction to staff to explore the implementation of a Biennial Budget; and,

Public Financing and Economic Development Authority - Adopt a motion:

- A. Adopting **Resolution PFA 2022-03**, Resolution of the City of Merced Public Financing and Economic Development Authority, adopting the Budget and Appropriating Revenue for Fiscal Year 2022-2023; and,
- B. Approving capital projects based upon the Planning Commission's May 18, 2022 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, 2022; and,

C. Provide direction to staff to explore the implementation of a Biennial Budget; and

Parking Authority - Adopt a motion:

A. Adopting **Resolution PA 2022-03**, Resolution of the City of Merced Parking Authority, adopting the Budget and Appropriating Revenue for Fiscal Year 2022-2023; and,

B. Approving capital projects based upon the Planning Commission's May 18, 2022 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, 2022; and,

C. Provide direction to staff to explore the implementation of a Biennial Budget.

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. 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

The City of Merced's economic outlook looks strong. Sales Tax and Property Tax receipts are outperforming current year projections, and total General Fund revenues are budgeted to include a projected 8% increase based on mid-year revised estimates. Single-family and multi-family construction continues to be robust. With the county's unemployment improving to 8.3%, over 11.4% in 2021.

The proposed budget adheres to the prudent principals established by the City Council including the following: 1) maintaining existing services and programs; 2) planning for one-time investments in parks and public spaces throughout the City; and 3) increasing funding to reserves and contingencies to protect against uncertainty.

On May 16, 2022, staff presented the City Council with the City Manager recommended budget for Fiscal Year 2022-2023. The total City proposed budget for FY 2022-23 is \$384.6 million including the Errata items. It includes the deletion of 6 positions, adds 13 positions, totaling 521 full-time positions. Two positions, City Attorney and Deputy City Attorney are unfunded in order to mitigate the cost of hiring a law firm to perform the City Attorney functions.

As proposed, the General Fund estimated revenue is \$51.7 million and estimated total operating expenditures is \$52.0 million, which leaves an operational deficit of \$262,877. The General Fund FY 2022-23 budget also includes non-operating expenditure recommendations for a general election, purchase of three replacement vehicles for parks, phase 3 of the City Hall HVAC replacement, and

continued set-aside funding for the Enterprise Resource Planning system, Economic Development Opportunity Fund, Trust 115-Pension, 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 2022-23 including errata items, 35% of annual operating expenses equals \$18,214,381, of which 30% is \$5,464,314 to be set-aside in a separate fund. Fund 004-General Fund Reserve currently has \$13,974,083. In order to meet the required level of reserve an additional transfer of \$1,638,244 has been included in the proposed budget. The remaining General Fund Reserve of 5%, equaling \$2,602,054 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 next year's budget are as follows:

<i>Future Planning Resources</i>	<i>Amount</i>
General Fund Reserve	\$1,638,244
Economic Development Opportunity Fund	\$ 425,250
Trust 115-Pension	\$789,750

During the May 16, 2022 and June 6, 2022 Council Meetings, the Council requested additional funding be allocated for the following items in the General Fund and are now included as part of the errata:

- Community Funding \$50,000
- Affordable Housing Trust Fund \$500,000
- City Attorney Agreement \$66,000
- Arts Projects \$100,000
- Bicycle Race \$26,000

The following summary of Errata items are also changes to the budget and if adopted will be included (see attachment for details):

- Added funding for the repair of Stephen Leonard Park Building Repair
- Removing request to add a Deputy Police Chief and delete a Police Captain and keep the current administrative staffing levels.
- LAFCO membership costs change annually based LAFCO's estimated operating costs and estimated revenue to be received. The city received a higher-than expected LAFCO estimate for FY 22-23 membership costs. Funding is paid from Fund 017-Development Services.
- Reduced set-aside funding for the Trust 115 for pension and the Economic Development Opportunity Fund. This calculation is based on a specific amount from the prior years Financial Statement of unassigned funding in the General Fund. Due to timing an amount used in the budget process was preliminary. The Financial Statements are now substantially complete and the unassigned dollar amount was revised which changed the funding that

should be allocated based on City Council policy.

- Revised the CDBG and HOME allocations and offsetting appropriations due to receiving the final award letters for FY 22-23.
- MCAG advised that Regional State Transportation Program funding would be higher than originally estimated.
- Added funding for Safe Streets Phase 1 project (streetlight upgrades) in Maintenance Districts and Community Facilities Districts if funding was available.
- Delete a Systems Technician and add a GIS Technician in the Information Technology Department. The Personnel Board approved the GIS Technician classification and this would allow for hiring with a specific scope to GIS. No change in costs of positions.
- Add a zookeeper position in the Parks and Community Services Department and offsetting contribution contingent on a cost sharing agreement pending per City Council direction.
- Correction of a minor keying error in Fund 116 Deer Park Maintenance District. Corrects account entries but no net dollar changes.

Staff presented the City Manager recommended FY 2022-23 budget to the Measure C committee for approval on May 10, 2022. The Measure C proposed budget includes the reduction of 2 fire personnel and 2 police personnel, which were transferred to the CFD's. The proposed budget includes a total of 10.3 fire and 18.49 police authorized positions. There is the purchase of a new fire truck of \$875,000 and \$1 million for phase 1 of the Safe Streets (streetlight upgrades) project also included in the Measure C Budget. The proposed fund balance meets the GFOA recommended minimum per City Council policy.

The five-year Capital Improvement Program (CIP) was reviewed by the Planning Commission at the May 18, 2022 meeting and was found to be consistent with the General Plan as required by State Law. The General Plan has many policies which are supported through the implementation of the proposed CIP projects. Examples include:

- T 1.2 - coordinate circulation and transportation planning with pertinent regional, state and federal agencies
- T 1.4 - promote traffic safety for all modes of transportation
- T 2.6 - maintain and expand the community's existing bicycle circulation system
- T 2.7 - maintain a pedestrian friendly environment
- T 3.4 - reduce rail system impacts on circulation in the urban area
- P 1.1 - provide adequate public infrastructure and municipal services to meet the needs of future development
- P 1.2 - utilize existing infrastructure and public service capacities to the maximum extent possible and provide for the logical, timely, and economically efficient extension of

infrastructure and services

- P 2.1 - maintain and enhance public protection facilities, equipment, and personnel to the maximum extent feasible within the resource constraints of the City to serve the City's needs
- P-3 Water - ensure that adequate water supply can be provided within the City's service area, concurrent with service expansion and population growth
- P-4 Wastewater - provide adequate wastewater collection, treatment, and disposal capacity for existing and projected future needs
- P-5 - provide effective storm drainage facilities for future development
- P-6 - establish programs to recover recyclable materials and energy from solid waste generated within the city
- OS 1.5 a - preserve and enhance water quality
- OS 3.1 - provide high quality park and open space facilities to serve the needs of a growing population
- OS 3.2 - maintain and expand the City's bikeway and trail system
- OS 3.3 - maintain the City's existing high-quality open space facilities
- S 3.2a - maintain essential services in the event of flooding or dam failure
- S 4.2 - maintain a reasonable level of accessibility and infrastructure support for fire suppression, disaster, and other emergency services

Biennial Budget

Biennial budgeting is the practice of preparing and adopting budgets for two-year periods. There are advantages and disadvantages to implementing a biennial budget which are listed below. Staff would like to request exploring the possibility of implementing a biennial budget process. Once the financial modules in the new Tyler ERP go live, staff will work on the following and come back to City Council for further direction:

- Does it meet charter requirements?
- What action does the City Council need to take to implement? (resolution, ordinance, ballot)
- How would the internal process change?
- How will the budget be presented? (public engagement, council actions, budget reviews, final document, etc.)

Advantages of Biennial Budget

- Reducing the time spent on budgeting over a two-year period which would free up time for other projects in year two.
- Encourages the agency to think strategically over multiple years instead of just balancing a budget for a single year.

Disadvantages of Biennial Budget

- More time and effort required to develop the budget in year one.
- Some difficulty and uncertainty forecasting revenues/expenditures further into the future.

ATTACHMENTS

1. City Council Resolution

2. Public Finance and Economic Development Authority Resolution
3. Parking Authority Resolution
4. Adopting Salary Range for City Manager Resolution
5. Adopting Salary Range for Finance Officer Resolution
6. Errata List
7. Fund Summary
8. Presentation