



Legislation Text

File #: 23-069, **Version:** 1

Report Prepared by: Venus Rodriguez, Finance Officer

SUBJECT: Mid-Year Budget Review for Fiscal Year 2022-2023, General Fund Supplemental Appropriations and Budget Amendments in Various Funds Totaling \$3,230,337; and Requesting Direction on American Rescue Plan Act Allocation

REPORT IN BRIEF

Presents the Fiscal Year 2022-2023 Mid-Year Financial Report, seeks approval of General Fund Supplemental Appropriations and Budget Amendments in Various Funds totaling \$3,230,337, and requesting Direction on American Rescue Plan Act Allocation.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving the addition of a full time Deputy Finance Officer for a two-month period; and,
- B. Approving a transfer from Fund 674 Fleet Replacement to the General Fund in the amount of \$338,000 and appropriating the same to 001-0901-523.43-00; and,
- C. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$152,000 and appropriating the same to 001-0901-523.43-00; and,
- D. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$55,000, transferring to Fund 063-Bell Station and appropriating the same; and,
- E. Approving the addition of one Assistant Engineer and deleting one Engineering Technician IV; and,
- F. Approving a Supplemental Appropriation in Fund 061-Measure C from the unreserved, unencumbered Fund Balance in the amount of \$222,687 to repay HUD ineligible project costs; and,
- G. Approving increase to revenue in Fund 018-CDBG in the amount of \$222,687 to accept repayment of HUD ineligible project costs; and,
- H. Approving the reduction of transfers from Gas Tax Funds (009, 010, 011, and 065) to Fund 022-Streets Maintenance totaling \$500,000; and,
- I. Approving transferring \$500,000 from Fund 076-2030 Gas Tax (SB1) to Fund 022- Streets

Maintenance in the amount of \$500,000; and,

J. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund balance in the amount of \$53,432 and appropriating to Vehicle O&M; and,

K. Approving an increase to revenue in Fund 670-Fleet Management in the amount of \$500,000 from various funds to cover fuel shortage (expense allocation provided in the discussion); and,

L. Approving **Resolution 2023-12**, 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,

M. Approving a Supplemental Appropriation from the unreserved, unencumbered General Fund Balance in the amount of \$254,407 due to the flood emergency; and,

N. Approving a Supplemental Appropriation from the unreserved, unencumbered Fund Balance in Fund 061-Measure C in the amount of \$11,753 due to the flood emergency; and,

O. Approving a Supplemental Appropriation from the unreserved, unencumbered Fund Balance in Fund 017-Development Services in the amount of \$10,000 due to the flood emergency; and,

P. Approving a Supplemental Appropriation from the unreserved, unencumbered Fund Balance in Fund 553-Wastewater Operations in the amount of \$1,072,394 due to the flood emergency; and,

Q. Approving a Supplemental Appropriation from the unreserved, unencumbered Fund Balance in Fund 558-Refuse Operations in the amount of \$106,528 due to the flood emergency; and,

R. Approving a Supplemental Appropriation from the unreserved, unencumbered Fund Balance in Fund 670-Fleet Operations in the amount of \$7,568 due to the flood emergency; and,

S. Providing Direction on the American Rescue Plan Act funding allocation; and,

T. 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 2021-22, a General Fund update for the current Fiscal Year 2022-23, and to request changes to the budget due to needs that have been identified since the budget was adopted on June 20, 2022.

Beginning Fund Balance July 1, 2022

The table below reflects the Fiscal Year 21-22 adopted budget assumptions compared to actual fund balance on June 30, 2022.

Fund	FY 2022-23 Actual Beginning Balance	FY 2022-23 Beginning Budget Balance	Savings or (Deficit)
General Fund	\$14,213,229	\$9,690,161	\$4,523,068
Development Services	\$5,099,536	\$4,699,644	\$399,892
Parks & Community Services	\$74,427	\$72,989	\$1,438
Airport	\$382,456	\$587,977	(\$205,521)
Measure C	\$6,336,934	\$4,685,320	\$1,651,614
Measure Y	\$2,583,634	\$3,159,620	(\$575,986)

Fiscal Year 2022-23

The City Council adopted the Fiscal Year 2022-23 budget for all funds on June 20, 2022. 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 \$536,014 with equal offsetting expenditures. In addition, there has been \$756,401 in Supplemental Appropriations and \$617,637 in Revenue increases for the following:

Joe Herb Park Fencing	\$ 15,000
Executive Staff Recruitments	62,000
Arbor Walkway Maintenance	50,000
AFG Award	679,401
Subtotal Appropriations	806,401
AFG Award Revenue	617,637
Net Appropriations	<u>\$188,764</u>

MID-YEAR RECOMMENDATIONS

General Fund and Other Administration:
Finance Department (Recommendation A)

The Deputy Finance Officer (DFO) recently submitted her resignation for April 30, 2023. This position oversees the day-to-day operations of the Finance Department, as well as the point person for auditing and financial statement preparation. The technical skills required for this level of a position including governmental accounting, auditing, budgeting, treasury management, drafting and interpreting policy, as well as people management and mentoring is vital in the Finance Department. The Finance Officer is requesting the approval of an additional full-time Deputy Finance Officer position to overlap for a two- month period. This will provide time for the current DFO to train the newly hired DFO. The estimated cost is \$26,000 and would be covered from savings within the Fiscal Year 2022-23 adopted budget so no additional appropriation is required. Staff has started the recruitment process. Depending on the timing of the new hire would determine how long the position is overlapped which means the costs may be less.

Fire Department (Recommendation B and C)

The Merced Fire Department (MFD) supports five stations with five front-line fire engines and one aerial fire truck. They also have three reserve fire engines which are 22, 22, and 17 years old. The reserve engines are used when the front-line vehicles are out of service for continuity of operations. The MFD has developed a plan to refresh the reserve apparatus fleet to ensure citizens receive the level of service they desire while increasing the diversity in the fleet. The plan is to purchase a type 3 fire engine and place it in service at Station 55. Reassign the assigned fire engine as the reserve engine. The reserve engines are aged however their chassis and car are in very good shape and the pumps are in excellent condition as well. Each fiscal year the MFD will request funding during the budget process to have a reserve engine refurbished which would include a new motor, transmission, light package, and cab interior in the amount of \$200,000 each. This would create a cost savings of \$2.5 million since they will not need to be replaced. To begin implementation of the proposed plan the MFD would need to purchase a type 3 fire engine in the amount of \$490,000. There is funding in the fleet replacement fund of \$338,000 and \$152,000 would require a supplemental appropriation within the General Fund.

Bell Station (Recommendation D)

The City is making 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 is required to test for asbestos and remove the mold. Once the mold is 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, natural gas, maintenance, and repair costs. Staff is requesting a supplemental appropriation from the General Fund in the amount of \$55,000 for the following:

PG&E:	\$30,000 (6 months at \$5,000 per month)
Mold Remediation	\$14,400
Asbestos Testing	\$ 5,000
Broken Windows	
& other repairs:	<u>\$ 5,600</u>
Total	\$55,000

Development Services (Recommendation E)

In order to attract a more qualified person in the engineering field, Engineering is requesting to add a full time Assistant Engineer and remove an Engineering Technician IV. An Assistant Engineer is more experienced in the design of capital improvement projects and project management. This position is also more concentrated on engineering as a whole and are likely to possess an Engineer-In-Training certificate issued by the State of California, Board for Professional Engineers and Land Surveyors. An Engineering Technician IV position is more of a supportive position and would not manage any design or construction. Due to the workload in the Engineering Department an Assistant Engineer would be most advantageous to help complete capital projects. The annual cost of an Assistant Engineer is \$89,165, including benefits. The annual cost of an Engineering Technician is \$80,875 including benefits. The difference in cost is \$8,290. There are salary savings due to vacancies in the adopted fiscal year 2023-23 budget that would cover any additional costs for this year.

Housing (Recommendation F and G)

In January 2020 HUD conducted on-site monitoring of the CDBG and HOME programs. At the end of October 2021 HUD provided a Monitoring Report with various findings and concerns for the Plan or program years 2014 to 2018. Generally, the findings from the report demonstrate that specific actions were taken prior to completion of environmental reviews which are contained in HUD's environmental regulations under 24 CFR Part 58. These are necessary for compliance with the National Environmental Policy Act (NEPA). As part of the monitoring review HUD determined that two ADA ramp, sidewalk, and curb - gutter projects were completed prior to preparing the appropriate environmental document. Funding for these projects was from CDBG and CDBG Program Income for project years pre-2015, 2015 through 2017. Those projects must be repaid to HUD from non-HUD funding sources. To implement this the Council is being requested to appropriate funds from Measure C in the amount of \$222,687 for expenditures to repay ineligible road project expenses.

The projects include the following:

- IDIS Activity 1067 - City Project 116033, which included removal of existing sidewalk, curb and gutter, cross gutter, pavement, for the installation of size ADA ramps and connecting sidewalk at the intersection of 9th and O ST. and the north east and north west corner of the intersection of 8th and O St. The project also included landscape replacement and repair of irrigation. Total expenditures were \$84,319.56.
- IDIS Activity 1094 - City Project 117007, which included removal of existing sidewalk, curb, and gutter at the four corners of Q St. and 8th St. and Q St. and 9th St., cross gutter, pavement, for the installation of size ADA ramps and connecting sidewalk at the intersection of 9th and O ST. and the north east and north west corner of the intersection of 8th and O St. as well as other improvements. The project also included landscape replacement and repair of irrigation. Total expenditures were \$138,367.13.

There were other items identified by HUD as part of the monitoring that will come back to the City Council for action at a future Council Meeting.

Public Works:

Streets Division (Recommendation H and I)

Fiscal Year 2022-23 Gas Tax is estimated to be \$500,000 less than initially anticipated when the budget was adopted. This is a direct impact to Fund 022 Streets Division. In order to backfill the shortfall, we are recommending reducing SB1 funding from the Yosemite Ave-M to R St project and divert to Fund 022 street maintenance. MCAG has recently advised us that we would be receiving an unanticipated Local Transportation Funding (LTF) allocation. We will use LTF to backfill the project funding which will be presented to City Council at a future meeting.

Fleet Division

Fuel-(Recommendation J and K)

The Fleet Division budgeted \$1.5 million for fuel for the current fiscal year. Due to increased use of fuel and fuel costs we have used over 80% of the budget. It is estimated that we will have a budget shortfall of \$600,000. We have funding in Fleet’s contingency of \$100,000 but will need additional funding of \$500,000. Since Fleet is an internal service fund it is funded by an allocation to all departments which utilize vehicles. The breakdown of the additional \$500,000 allocation is in the table below. Most Departments/Divisions have savings within their adopted Fiscal Year 22-23 budget to cover their allocation. The Fire Department and Parks and Community Services Department will need a General Fund Supplemental Appropriation totaling \$53,432 for their added allocation.

Department/Division	Fuel Allocation
City Clerk	\$563
Purchasing	\$248
Fire	\$53,802
Police	\$105,637
Parks	\$7,913
Engineering	\$1,734
Inspection Services	\$2,137
Parks and Community Services	\$1,082
Downtown Maintenance District	\$410
PW Administration	\$923
Streets	\$14,450
Wastewater	\$31,495
Water	\$36,235
Refuse	\$239,899
Facilities	\$2,774
Airport	\$269
Information Technology	\$429
Total	\$500,000

Vehicle Purchases-(Recommendation L)

Current market conditions, including supply chain disruptions and long lead times, 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. 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. 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 a purchase not to exceed \$600,000.

American Rescue Plan Act Update and Direction:
(Recommendation S)

In 2021 and 2022, the City Council took action to invest in several community support and infrastructure projects in response to the local impacts of COVID-19. Over the last year, staff have worked to implement these programs and projects. Below is a summary of this work.

ARPA- Mid Year FY 2022/23										
Description	Total	FY 21 Actual	FY 22 Actual	FY 23 YTD	Total	Difference	Encumbrances	Obligated	Available	Project Description
Affordable Housing	\$ 6,500,000			-	-	6,500,000.00	-	6,500,000.00	-	Various projects have received City Council commitments
Non-Profit Support	\$ 1,500,000			29,309.25	29,309.25	1,470,690.75	1,470,690.75	-	-	Services under contract and "in-progress"
Utility Bill Relief	\$ 1,000,000			171,844.11	171,844.11	828,155.89	-	-	828,155.89	Processed 166 applications
Stimulus Payments	\$ 1,000,000		14,500.00	755,500.00	770,000.00	230,000.00	-	-	230,000.00	Processed 1,540 applications
Job Training Program	\$ 1,025,000			-	-	1,025,000.00	1,025,000.00	-	-	Under contract and "in-progress"
Expanded Youth Programs	\$ 250,000			-	-	250,000.00	-	250,000.00	-	CalVIP Match, "In Implementation"
Supplies and Services	\$ 11,275,000		14,500.00	956,653.36	971,153.36	10,303,846.64	2,495,690.75	6,750,000.00	1,058,155.89	
Applegate Zoo Renovation/Expansion	\$ 2,000,000		20,760.56	9,616.50	30,377.06	1,969,622.94	76,622.94	-	1,893,000.00	"In Design"
Bob Hart Square Expansion	\$ 800,000		8,575.70	3,789.31	12,365.01	787,634.99	55,101.74	-	732,533.25	"In Design"
Community Park #42	\$ 5,000,000		154,158.50	141,182.82	295,341.32	4,704,658.68	218,258.68	-	4,486,400.00	Design, Environmental Complete, Out to Bid
Parklets/Beautification	\$ 200,000			-	-	200,000.00	-	-	200,000.00	Post One-Way, to be Designed
Downtown Traffic Project	\$ 750,000			-	-	750,000.00	20,000.00	-	730,000.00	Design complete, pending environmental
Water Infrastructure	\$ 2,500,000			-	-	2,500,000.00	-	-	2,500,000.00	Program Evaluated, need City Council direction
Broadband Infrastructure	\$ 2,650,000			-	-	2,650,000.00	69,030.00	-	2,580,970.00	Merced County study complete, currently applying for grants
Capital Improvement Projects	\$ 13,900,000		183,494.76	154,588.63	338,083.39	13,561,916.61	439,013.36	-	13,122,903.25	
Subtotal	\$ 25,175,000	\$ -	197,994.76	1,111,241.99	\$ 1,309,237	\$ 23,865,763.25	\$ 2,934,704.11	\$ 6,750,000.00	\$ 14,181,059.14	
Administration	\$ 72,532		52,689.69	56,876.87	109,566.56	(37,034.56)	-	-	(37,034.56)	
Internal COVID mitigation costs	\$ 460,000	110,791.00	16,171.44	1,229.40	128,191.84	331,808.16	-	-	331,808.16	
COVID-19 SPSL	\$ 75,000		75,000.00	-	75,000.00	-	-	-	-	
Public Safety Payroll	\$ 203,916	203,916.00	-	-	203,916.00	-	-	-	-	
COVID-19 City Expense	\$ 811,448	314,707.00	143,861.13	58,106.27	516,674.40	294,773.60	-	-	294,773.60	
Total	\$ 25,986,448	314,707.00	341,855.89	1,169,348.26	\$ 1,825,911.15	\$ 24,160,536.85	\$ 2,934,704.11	\$ 6,750,000.00	\$ 14,475,832.74	
ARPA Allocation	27,427,882		656,563							
Unallocated	\$ (1,441,434)									

There are two areas where staff are seeking direction from the City Council: Broadband Infrastructure and Water Infrastructure. As the City continues to participate in the countywide project, staff anticipate that approximately \$1,650,000 will be needed as local support for the projects currently in development. As a result, \$1,000,000 is available to the City Council, should these funds need to be redirected. During the Water Infrastructure program development, staff discovered that any funding provided to families for the retrofitting of appliances would be subject to disclosure to the

IRS for tax purposes. As such, staff is seeking City Council direction on how best to proceed with implementation of this program.

Storm/Flood Emergency Update and Supplemental Appropriations:
(Recommendations M through R)

On January 4, 2023, Governor Newsom declared a state of emergency in response to several powerful storms expected to hit California. The County of Merced proceeded with activating the Merced County Emergency Operations Center as a precautionary measure.

A heavy storm hit Merced on Saturday, January 7, 2023, and was expected to continue through Tuesday, January 10, 2023. The storm was predicted to cause local creek levels to rise past flood stage. To this extent, the city of Merced Director of Emergency Services, Stephanie Dietz, declared a local emergency and activated the City’s emergency operation center (EOC). EOC Staff began to hold daily planning and operational meetings with all City Departments and local cooperators. On January 17, 2023 City Council passed Resolution 2023-08 confirming the existence of local emergency.

A significant amount of City resources were utilized through the emergency response including personnel time, purchase of supplies, securing vendors for services, debris removal, maintenance of impacted vehicles, feeding employees, etc. The use of operating budgets to cover these unanticipated costs have created a fiscal gap for departments. After some analysis of costs some departments are requesting supplemental appropriations to backfill what was used for the emergency response. There were some divisions that were able to absorb their costs due to savings within the adopted budget. Below is a chart by Department/Division of total expenses to date, how much was unanticipated (non-operating) and the supplemental appropriation being requested.

Department/Division	Emergency Cost to Date	Non-Operating Costs	Supplemental Appropriation
City Manager/Ec Dev	\$34,692	\$9,862	\$955
City Attorney	\$41	\$0	\$0
Finance	\$27,382	\$25,544	\$25,544
Fire	\$237,203	\$167,777	\$163,920
Police	\$46,778	\$46,778	\$0
Parks	\$41,101	\$13,962	\$10,500
Engineering	\$5,547	\$5,547	\$0
Planning/Inspections	\$7,637	\$1,945	\$0
Housing	\$298	\$298	\$0
Streets	\$74,459	\$49,713	\$49,713
Parks & Community Svcs	\$31,078	\$12,858	\$12,858
PW Admin	\$16,962	\$7,936	\$0
Downtown M.D.	\$5,540	\$2,670	\$2,670
Wastewater	\$730,220	\$583,097	\$433,094

Water	\$51,569	\$50,222	\$0
Refuse	\$108,844	\$56,528	\$56,528
Fleet	\$10,408	\$7,568	\$7,568
Facilities	\$3,995	\$3,743	\$0
Airport	\$813	\$0	\$0
Personnel	\$3,760	\$466	\$0
Information Technology	\$11,720	\$3504	\$0
Total	\$1,450,047	\$1,050,018	\$763,350

In addition, some departments have identified interim emergency recovery costs that will require a supplemental appropriation before we receive an approval for funding from FEMA.

Fund 017-Development Services-Inspections is requesting \$10,000 to potentially conduct wide scale property assessments and inspections. This would cover contracting some of the work to our current vendors.

Fund 558-Refuse is requesting \$50,000 to cover anticipated landfill charges. The refuse department has provided roll-offs to the community in areas that were most impacted by the floods and expect to continue to do so. This should cover roll-off costs from personal property that was damaged and/or debris through the end of the fiscal year.

Fund 553 Wastewater-Storm Drains needs additional funding to continue interim work on the following levees until FEMA approves the permanent repairs to the levees:

23 rd & W	\$ 88,750
28 th & K	197,700
Applegate	43,850
Bear Creek & Glen	74,200
Bear Creek & Oleander	145,600
Bear Creek & Parsons	63,200
Bear Creek Small Repair	<u>26,000</u>
Total	\$639,300

The total request of \$1,462,650 in supplemental appropriations are strictly to cover any fiscal shortfalls the emergency is causing to be able to continue with normal operations through the end of the fiscal year. There will be a separate process and analysis of costs when claiming reimbursement from FEMA due to the presidential declaration of emergency.

ATTACHMENTS

1. Resolution 2023-12