



Legislation Text

File #: 23-463, Version: 1

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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 and the Parking Authority Fiscal Year 2023-24 Proposed Budget and After Hearing all Comments Continue the Public Hearing to June 20, 2023

REPORT IN BRIEF

Public Hearing to afford the interested public an opportunity to provide input on the content of the 2023-24 City Council, Public Financing and Economic Development Authority, and Parking Authority Proposed Budget.

RECOMMENDATION

City Council/Public Financing and Economic Development Authority/Parking Authority - It is recommended that the City Council/Authorities conduct the Public Hearing and provide direction to the City Manager on the content of the Fiscal Year 2023-24 Budget; and adopt a motion continuing the Public Hearing to the June 20, 2023, 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 2023-24 Proposed Budget

The City of Merced's economic outlook is shifting. Sales Tax and Property Tax receipts align with current year projections with estimated modest increases of 2%-3% , and total General Fund revenues are budgeted to include a projected 7.5% increase compared to the FY 2022/23 budget. Citywide housing construction continues at a slower rate than in previous years. Permits for single-family units have decreased by 30%, while permits for multifamily units are consistent with prior year levels.

Because the economic outlook of the city is uncertain, the proposed budget adheres to the prudent fiscal principals, including the following: 1) maintaining existing services and programs with no net increases to staffing; 2) planning for investments in affordable housing, parks, streets, and other public spaces throughout the city; and 3) increasing funding to reserves and contingencies to protect against economic volatility.

On May 15, 2023, staff presented the City Council with the City Manager recommended budget for Fiscal Year 2023-2024. The total City proposed budget for FY 2023-24 is \$405.7 million. It includes the deletion of 8 positions and adds 8 positions, keeping the total at 525 full-time positions. As the city is currently in transition with a City Attorney, three positions in the City Attorney's office have been included along with additional funding in Professional Services. Once the City Council determines if they want to hire full time personnel or enter into an agreement for outside City Attorney services, funding totaling \$1 million is included in the budget.

As proposed, the General Fund estimated revenue is \$55.6 million and estimated total operating expenditures is \$55.5 million, which leaves an operational surplus of \$104,942. The General Fund FY 2023-24 budget also includes non-operating expenditure recommendations for purchase of parks vehicles and equipment, dash cams hardware and body cam storage, IT replacement generator, IT cyber security upgrade, IT website update, South Merced Improvements, Community Funding, Arts Projects 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 2023-24, 35% of annual operating expenses equals \$19,447,043, of which 30% is \$16,668,894 to be set-aside in a separate fund. Fund 004-General Fund Reserve currently has \$15,612,327. To meet the required level of reserve an additional transfer of \$1,056,567 has been included in the proposed budget. The remaining General Fund Reserve of 5%, equaling \$2,778,149 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 were as follows (see next page for changes based on Council direction on 5/15/23):

<i>Future Planning Resources</i>	<i>Amount</i>
General Fund Reserve-30%	\$1,056,567
Economic Development Opportunity Fund	\$425,250
Trust 115-Pension	\$789,750

Staff presented the City Manager recommended FY 2023-24 budget to the Measure C committee for approval on May 9, 2023. The Measure C proposed budget includes the reduction of 1 police personnel, which was transferred to the CFD. The proposed budget includes a total of 10.3 fire and 17.49 police authorized positions. There are one- time purchases for fire and police, including ballistic and night vision helmets, record management system upgrade, server software, female academy, and the painting of Fire Station 51. An additional \$1 million was added to the Safe Streets (streetlight

upgrades) project and \$70,000 for the ballot measure to renew Measure C. The proposed fund balance meets the GFOA recommended minimum per City Council policy.

The City Council requested the following during the May 15, 2023, City Council meeting and prior meetings that due to timing were unable to be captured in the City Manager Recommended budget. These changes will be included in Errata:

- Reallocate percentage of financial policies funding from the General Fund to include 30% to Housing, 20% to Economic Development Opportunity Fund, and 50% to Trust 115 for Pension.

<i>Errata Change</i>	<i>Amount</i>
General Fund Reserve-30%	\$1,088,050
Trust 115-Pension	\$607,500
Affordable Housing	\$364,500
Economic Development Opportunity Fund	\$243,000

- Reducing Administrative Support from Fund 087-ARPA funding in the amount of \$57,134 and shifting it the General Fund as a one-time non-operating cost.
- Fund 087-ARPA Program adjustments
 - Add \$1 million to Affordable Housing
 - Add \$1.175 million to Job Training
 - Add \$425,000 to Applegate Restrooms
 - Add \$3.35 million to Community Park 42
 - Reduce \$230,000 from Stimulus Payments
 - Reduce \$2.5 million from Water Infrastructure
 - Reduce \$1.5 million from Broadband Infrastructure
 - Reduce \$288,000 from Administration
- Add \$5,000 in voucher funding in the Parks and Community Services operating budget augmenting the \$8,000 already included in the proposed budget for a total of \$13,000.

The City Council also gave direction to not increase the water rates. The water rate changes would be effective July 1, 2023. The resolution required for Council approval to not increase the rates will be included with actions when the final budget is adopted on June 20, 2023. The water operations budget as proposed includes no water rate increases but does factor growth in number of accounts only. Therefore, no budget changes are needed in water operations.

Staff presented City Council with the Parks and Community Services operating budget which had a shortfall of \$511,538 due to significant decreases in Measure Y-Cannabis Tax revenues and no increases to the General Fund transfer to supplement the operations in the last few years. The City Council was given options to fill the shortfall including, adding additional General Fund transfer, adding Measure Y-40% discretionary funding, increasing program revenues, and/or reducing expenses to balance the fund.

The Council gave direction to fill the shortfall as follows:

- Add an additional \$104,942 in General Fund Transfer, totaling \$1,440,542.
- Add a transfer in the amount of \$373,293 from Measure Y-40% Discretionary Fund.
- Increase Program Revenues which would add estimated revenues of \$110,000 while also adding \$5,000 of additional voucher funding to the already included \$8,000.

To increase program revenues, the City Council will need to hold a public hearing and adopt a resolution. This item will be presented to the City Council for action in a separate agenda item on June 20, 2023.

The budget sub-committee, including Mayor Serrato, Council Members Xiong, and Boyle met on May 17, 2023, to review Community Funding proposals. They are recommending the following programs and amounts be funded.

<i>Community Funding Proposer</i>	<i>Project</i>	<i>Recommended Amount</i>
Merced Lao Family Community	Hmong traditional music & cultural instruction	\$10,000
Merced Youth Soccer Association	High School students prepare for college/career	\$10,000
Merced County Nut Festival	2023 Merced Co. Nut Festival	\$5,000
Calvary Assembly	Isaiah Project	\$5,000
Robert Rojas Foundation	Opiate education & training	\$0
League of United African American Citizens (LUAAC)	Anti-bullying/fentanyl awareness	\$0

An additional \$162,076 (\$104,942 operating and \$57,134 non-operating) in appropriations will be added to the General Fund budget. These adjustments will also change the GF reserve slightly.

After final direction, staff will bring back a revised version of the budget with an Errata list to the City Council on June 20, 2023, for final approval.

ATTACHMENTS

1. City Manager Budget Message
2. June 5, 2023, Budget Presentation
3. May 15, 2023, Budget Presentation