

**CITY OF MERCED
2024-2025 CITY COUNCIL APPROVED BUDGET**

TAB 1

CITY MANAGER'S BUDGET MESSAGE



May 20, 2024

Re: Presentation of Fiscal Year 2024/2025 City Manager's Recommended Budget

Honorable Mayor and City Council:

I am pleased to present the Fiscal Year 2024/2025 City Manager's Recommended Budget for your review and consideration, as mandated by the City of Merced Charter Section 501(b). The proposed budget totals \$422.5 million, with a General Fund allocation of \$64.6 million. This budget is a result of collaborative efforts between department heads and staff, aiming to deliver a comprehensive, balanced, and sustainable plan for the upcoming fiscal year.

General Overview

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 the FY2023/24 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 will 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.

Community Participation - Council Goals & Priorities

The City Council remains committed to promoting community well-being, inclusive services, and an elevated quality of life. We value and encourage stakeholder input, with residents actively participating in council meetings, annual community town halls, and strategic planning sessions. Based on these engagements, the City Council has approved the following priorities for the fiscal year 2024/2025.

Parks and Community Services

Investments are being made to enhance recreational facilities and community spaces. Community Park 42 will receive \$200,000 in PFFP funds and \$1,051,020 in reallocated ARPA funds. Additionally, \$100,000 from Park Reserve Funds will be allocated towards a parking lot at Fahrens Park Disc Golf Course, while Joe Herb Sports Field will undergo a \$300,000 renovation funding by park reserves. Applegate Park Basketball Court will see a \$100,000 renovation partly funded by Measure Y Discretionary and Park Reserve Funds. Rahilly Park Playground will receive \$50,000 from Measure Y Discretionary Funds. General Vang Pao Park and Aletha June Park will get \$450,000 from PFFP Funds. Lastly, a Parks, Recreation, and Open Space Master Plan (PROS), funded by the Central Valley Opportunity Fund, will be developed to guide future improvements. These investments demonstrate the city's commitment to providing quality recreational and open spaces, which are characteristic of a vibrant community environment.

Affordable Housing and Homelessness

The City, alongside community organizations, nonprofits organizations, and public agencies, will continue to collaborate in providing housing and services that increase access to beds for individuals experiencing homelessness. Over the past several years, this partnership has led to the successful completion of one Homekey project, and over the next year, it is anticipated that other housing units will become available from this state resource. Additionally, the City will support and continue to participate in the Continuum of Care (COC) to help identify long term solutions and funding for supportive services.

Housing Programs and Policies

Over the upcoming fiscal year, the City will continue to implement programs and utilize funding to support housing programs and projects through multiple grant sources, such as the State of California Housing and Community Development Department (HCD) and the United States Department of Housing and Urban Development (HUD). This upcoming year will also see a significant contribution of American Rescue Plan Act (ARPA) funds pledged to support affordable housing construction.

Last year the City Council set policy to establish a local affordable housing fund. This proposed budget will continue investment in this area to ensure there are local resources available to help as a match for other programs or for direct assistance to aid in the production of affordable housing.

The revision of Merced's General Plan will proceed throughout this fiscal year, including consideration of a Multijurisdictional Housing Element. It will integrate Council guidance on housing policies, new State laws, and a mandatory SB 244 examination. Emphasis will be placed on neighborhoods like South Merced and Downtown housing opportunities.

Arts and Culture Initiatives

Over the upcoming year, efforts will continue to cultivate arts and cultural districts that spotlight the dynamic and diverse communities of Merced. Activities are also intended to meet the adopted goal of creating formalized districts, which may include seeking resources and assistance from the California Arts Council. Additionally, \$100,000 allocated in the prior fiscal year will be available during the 2024/25 fiscal year to support art projects.

Economic Development:

A high priority will include continued efforts to promote economic growth and community vitality through entrepreneurship, attracting businesses tailored to local needs, improving infrastructure, and promoting tourism.

- Airport Redevelopment

Over the next year construction will continue on the Merced Yosemite Terminal Replacement Project. Efforts will be made to seek out additional funding for furnishings and support replacement of the airport fuel farm. These investments will enhance the travel experience at the airport, assist in generating revenue from this facility, and demonstrate a commitment to multi modes of travel. It is anticipated this facility will connect and augment the pending station and rail investments in the core of Merced.

- Attract Businesses and Employment Opportunities

The budget provides for funding set-aside into the Economic Development Opportunity Fund and ongoing operations of the department allowing our community to participate in regional and national trade shows promoting our unique investment opportunities. ARPA funding will continue successful youth job training programs leading to better opportunities.

- Downtown Merced

The newly formed Property-Based Improvement District (PBID) enables property owners to pool resources for community-driven projects, boosting economic development, infrastructure, beautification, and property values, fostering a vibrant local environment. City Staff will continue to collaborate with the business community and hotel association to create a Tourism-Based Improvement District (TBID) to strengthen local marketing initiatives and tourism growth. Work will continue to implement the two American Rescue Plan Act Projects – Bob Hart Square Expansion and Downtown One Way. These actions will help revitalize the area by providing more community space supporting events held in downtown and improve circulation and add additional parking.

Public Safety

The Merced Police and Fire Departments are focused on community policing, emergency response, and engagement for a safe and secure community.

This past year the voters of Merced approved an initiative, Measure C, that will continue to provide ongoing funding to help augment the investment in public safety. The assurance of this measure has allowed for flexibility in the budget process to address some essential needs. This budget provides for significant investments to enhance the capabilities of the police and fire departments. Measure C funding is allocated towards various initiatives, including purchasing 15 vehicles for the Police Department. These will include police patrol vehicles, code enforcement, and police truck replacements. Funding is also being made available to address deferred maintenance, including Fire Station 53, totaling \$1,670,069.

Measure Y Police funding further supports the enhancement of public safety, with allocations for improvements to the Central Police Station, real-time information center, cameras, drones, police K9 units, repairs and maintenance, fleet repairs, vehicle dash cameras, as well as the recruitment of Reserve Officers and a Temporary Dispatcher, totaling \$335,693. Additionally, Fire Stations 51 and 52 will undergo improvements totaling \$325,000, ensuring police and fire departments have the necessary resources and infrastructure to serve and protect the community effectively.

Community Investment

Strategic investments in community development, including CIP initiatives, to enhance Merced's quality of life.

- City Facilities, Equipment, Financing, and Maintenance

The City is proactively addressing deferred maintenance in many public safety facilities and equipment needs through the implementation of this budget. However, as the City continues to grow there is an increasing need to add facilities, replace equipment, and add new pieces of equipment. Aging equipment, such as fire engines and trucks, have a long order time and given the high costs, the City will need to consider various finance options. In addition to public safety, the Public Works corporation yard, providing maintenance to all City vehicles, is also in need of expansion. To address these needs, an emphasis will be placed on financing tools and options to allow the City to keep pace with growth needs, and continue to provide high quality public services.

- South Merced

South Merced will continue to be a focus area for City investment and revitalization activity. Investment will be made in park facilities, such as CP 42, Diego Rivera, Joe Herb, Stephen Leonard, and Dennis Chavez Parks. The City will continue to utilize the South Merced City Council Subcommittee as a conduit for guiding activities and receiving community input. Their guidance will help implement policies and actions to help attract new investment and address community needs.

- Improve Mobility - Street Maintenance and Repairs

Through our Engineering Division, work will continue to implement capital improvement projects that are necessary to address aging road infrastructure and pedestrian amenities, including paths and sidewalks. The City's Public Works Department will continue to maintain our streets and mobility assets to help extend the life of these facilities. These were among the highest needs as expressed by the community during town halls and the Council goal setting process.

- Creek Restoration and Maintenance Sustainability Projects

Merced has received a \$6 million dollar allocation from the State Department of Water Resources (DWR) that will help assess restoration needs and implement improvements to Bear Creek. It is anticipated this funding will address amenities that have been closed for public access since the 2023 flooding events. The funding will also allow for repairs to help provide security from future incidents.

Community Funding

Through the implementation of this fiscal budget, \$50,000 will be available to nonprofit organizations through a Council directed RFP process. This will help bolster programs that support and uplift vulnerable residents in our community.

Quality of Life in Merced

Residents of Merced can expect high-quality municipal services from the City. To meet this expectation, City staff continue to focus on several policy items prioritized by the City Council. These will help with enhancing commercial truck and RV parking enforcement in residential areas, add additional tools addressing blighted vacant buildings, abandoned shopping carts, graffiti, and implement code enforcement measures to tackle illegal activities at local hotels. To help share

information, transparency efforts will be underway to improve the accessibility and content of the City website. This will also include better public access to resolutions, ordinances, and other public documents.

Aligned with our established Goals and Priorities and guided by the City Council's adopted principles, we lay the foundation for community development while ensuring the delivery of exceptional municipal services. The budget recommended by the City Manager reflects fiscal stewardship across all service areas for the fiscal year 2024/2025.

Building upon the success of the previous year, we continue to recognize the invaluable partnership with our residents and businesses, alongside our dedicated staff members who play pivotal roles in driving the City's progress. Directed by the City Council, our staff allocates available resources to make significant investments in programs and services crucial to our community. Moreover, our commitment to sound financial planning remains resolute, ensuring that we are well-positioned to seize emerging opportunities while upholding essential community services.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott McBride". The signature is fluid and cursive, with a large initial "S" and "M".

Scott McBride
City Manager
City of Merced