MCFARLAND CITY COUNCIL

McFarland Successor Agency, McFarland Public Finance Authority, McFarland Improvement Authority, McFarland Parking Authority

Special Meeting Notice and Agenda

Council Chambers
103 W. Sherwood Ave, McFarland, CA
Website: https://www.mcfarlandcity.org/

Thursday, February 22, 2024
5:00 PM

SAUL AYON, *Mayor*
RICARDO CANO, *Vice Mayor*
AMADOR AYON, *Council Member*
ANITA GONZALEZ, *Council Member*
MARIA PEREZ, *Council Member*

VIEW THE MEETING RECORDINGS ONLINE at www.mcfarlandcity.org/AgendaCenter Recordings will be available approximately one week following the meeting.

HOW TO SUBMIT PUBLIC COMMENTS: The meetings of the City Council and all municipal entities, commissions, and boards ("the City") are open to the public. At regularly scheduled meetings, members of the public may address the city on any item listed on the agenda, or on any non-listed matter over which the city has jurisdiction. At special or emergency meetings, members of the public may only address the city on items listed on the agenda. There is a time limitation of two minutes per person. For any item that is not on the agenda and within the jurisdiction or interest of the city, please come to the podium at this time. The Brown Act does not permit any action or discussion on items not listed on the agenda. If you wish to speak regarding a scheduled agenda item, please come to the podium when the item number and subject matter are announced, and the mayor opens Public Comment on the item. When recognized, please begin by providing your name and address for the record (optional). Anyone wishing to submit written information at the meeting needs to furnish ten (10) copies to the City Clerk in advance to allow for distribution to City Council, staff, and the media. Willful disruption of the meeting shall not be permitted. If the Mayor finds that there is in fact willful disruption of any City Council Meeting, he/she may order the disrupting parties out of the room and subsequently conduct the City's business without them present.

PUBLIC ACCOMMODATIONS: The City of McFarland does not discriminate based on disability and complies with the provisions of the Americans with Disabilities Act (ADA). If you need special assistance to participate in this meeting, please contact the City Clerk's Office at (661) 792-3091 at least 48 hours prior to the meeting to make reasonable arrangements to ensure accessibility to this meeting.

INTERPRETATION: If you need an interpretation of your communications to the City Council into English, please contact the City Clerk Department at 661-792-3091 ext. 2135 at least 48 hours prior to the meeting.

CALL TO ORDER: Mayor Saul Ayon

ROLL CALL:
Mayor/Chair, Saul Ayon
Vice Mayor/Vice-Chair, Ricardo Cano
Council Member/Board Member, Amador Ayon
Council Member/Board Member, Anita Gonzalez
Council Member/Board Member, Maria T. Pérez

INVOCATION:

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT: The public may address the Council/Board Member on items, which do not appear on the agenda. Council/Board Members may respond briefly to statements made or questions posed. They may ask a question for clarification; may refer the item to staff for further study or for placement on a future agenda. Speakers are limited to two minutes for each person. Please state your name and address for the record prior to making a presentation. Fifteen minutes total will be allowed for any one subject.

ADMINISTRATIVE AGENDA

1. Approval of Resolution No. 2024-24 Approving the Midyear Budget Adjustments Totaling $6,397,853 in the General Fund and $468,310 in Other Funds.

REPORTS FROM CITY COUNCIL ON COMMITTEE/SPECIAL DISTRICT MEETINGS

COUNCIL STATEMENTS AND REPORTS:
On their own initiative, Council Members may make a brief announcement or a brief report on their own activities. In addition, Council Members may ask a question of staff or the public for clarification on any matter, provide a reference to staff or other resources for information. Alternatively, request staff to report to the City Council at a later meeting concerning any matter. Furthermore, the City Council, or any member thereof, may take action to direct staff to place a matter of business on a future agenda.

ADJOURNMENT

This is to certify this agenda was posted at McFarland City Hall on February 21, 2024.

Francisca Alvarado
Francisca Alvarado, City Clerk

Kenny Williams
Kenneth Williams, City Manager

Next Meeting: Regular City Council March 14, 2024.

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All agenda item and/or supporting documentation is available for public review on the city website at www.mcfarlandcity.org and the office of the City Clerk of the City of McFarland, at 401 W, Kern Ave. McFarland, CA 93250 during regular business hours of 8:00 am – 5:00 pm Monday through Friday, following the posting of the agenda. Any supporting documentation related to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location and available at the meeting.

City of McFarland

City Council Meeting

STAFF REPORT

Agenda Item No. 1.
Section: ADMINISTRATIVE AGENDA
Meeting Date: February 22, 2024

TO: Honorable Mayor and Council Members

FROM: Kenny Williams, City Manager
Diego Viramontes, Finance Director

SUBJECT: Approval of Resolution No. 2024-24 Approving the Midyear Budget Adjustments Totaling $6,397,853 in the General Fund and $468,310 in Other Funds.

SUMMARY:

This report presents a comprehensive mid-year financial review, aimed at evaluating the City of McFarland's fiscal health, with a specific focus on the General Fund and the major in-house managed enterprise funds (Water and Sewer). The objective is to assess financial performance, identify variances, propose necessary adjustments, and plan for future fiscal strategies. Our findings suggest the need for budget adjustments totaling $6,397,853 in the General Fund and $468,310 in other funds to align with our financial goals and operational needs.

Financial Performance Evaluation

General Fund: A Closer Look

Projected Unassigned Fund Balance: Currently at 17% of operating expenditures, an improvement from the initial 7% projection. However, it remains below our 35% target, indicating a need for strategic financial management to bolster our fiscal health.

Short-term Strategies:

- Utilization of American Rescue Plan Act (ARPA) Funds to offset rising costs in fire services and public safety for FY 2022-23 & 2023-24, addressing immediate financial pressures.

Long-term Financial Planning:

- **Measure M & O Revenues:** The City of McFarland has strategically positioned itself for sustainable growth and enhanced community services through the implementation of Measures M and O. These initiatives, approved by voters in November of 2022, are pivotal to our long-term financial strategy, addressing critical areas such as public safety, infrastructure, and economic development.
- **Indirect Cost Allocation Plan:** Aims to distribute central service costs fairly across departments, enhancing financial efficiency.
- **Development Initiatives:** Future commercial, residential, and industrial development projects are critical for generating additional revenue and supporting economic growth.
- **Organizational Review:** Proposed analysis of the organizational structure to identify efficiency improvements.

Enterprise Funds: Financial Health

Sewer Fund: Projected unrestricted fund balance stands at 46% of operating expenditures, surpassing the 35% target but falling short of long-term capital funding needs.

Water Fund: Projected unrestricted fund balance at 32%, below the 35% target and insufficient for long-term capital investments.

- **Unforeseen Water Challenges:** The projected unrestricted fund balance has fallen below our target mainly due to unforeseen expenses incurred throughout the fiscal year. A significant portion of these costs, approximately $200,000, was dedicated to addressing the persistent high nitrate levels at the Browning Road well, including well rehabilitation and pump repairs in efforts to mitigate the nitrate problem. Despite these attempts, the issue remains unresolved, leading to the well's shutdown since October 2023 to prevent nitrates from entering the water system. However, during emergency situations or peak demand in the summer, the city may need to reactivate this well to maintain water pressure, using it sparingly and as a last resort to safeguard public health. The City of McFarland is actively exploring both temporary and permanent solutions to this challenge, seeking support from the state water resources control board to minimize financial impacts on our residents.

Funding Options for Capital Needs:

State Revolving Fund Grant: Offers a low-impact solution to utility rates while securing capital funding.

- **Active Grant Applications:** The City of McFarland is actively seeking grant funding totaling approximately $48.2 million from the State Water Resources Control Board for essential water and sewer improvements. Our grant application for water infrastructure prioritizes critical projects aimed at ensuring the safety and reliability of our water supply. These include the construction of a 1,2,3-TCP treatment and a new nitrate treatment facility at the Browning Road Well Facility to meet state and federal safety standards. Additionally, we plan to enhance our system's resilience with a new 1.0 MG storage tank and booster pump station, along with emergency standby diesel generators at the Garzoli Arsenic Treatment Facility to guarantee uninterrupted operations during power outages. Furthermore, the construction of new water supply wells at Perkins Avenue and Elmo Highway will replace existing wells, securing our water supply against future challenges. On the wastewater front, our application seeks funds for the vital expansion of our wastewater treatment plant to accommodate community growth and adhere to environmental standards, marking a significant step towards sustaining our city's infrastructure and ecological responsibilities.

Long-Term Financing: Although it poses a significant impact on utility rates, it's necessary for critical infrastructure investments.

Detailed Budget Adjustments

Adjustments in General Fund Revenues

Taxes and Franchise Fees: An overall increase of $185,540, despite a slight decrease in general sales tax by $(11,835), offset by increases in Measure M sales tax ($197,375).

  - **Sources of Updated Projections:** Our revised sales tax revenue figures are based on the latest projections provided by our sales tax consultants, Hinderliter, de Llamas and Associates (HDL). Their analysis, which reflects current economic trends and local commercial activities, suggests an overall increase in sales tax revenue.

Permit and Service Charges: Total increase of $374,463, with significant contributions from building permits ($220,702) and conditional use permits ($153,761), reflecting economic activity and compliance revenue recoveries.

  - **Building Permit Increases:** The significant rise in building permit fees, amounting to an increase of $220,702, is directly linked to the accelerated development of Dr. Hair's tract 7393. Dr. Hair's commitment to rapid development and substantial investment has exceeded initial projections, leading to higher permit fee collections.

- **Conditional Use Permits:** The increase of $153,761 in conditional use permit fees is partly due to a backlog of payments from a GEO correctional facility amendment. The discovery of this oversight, which amounted to approximately $50K annually not paid for the past three years, has been addressed, resulting in a notable increase in revenue.

Grants & Intergovernmental: A substantial increase of $5,073,166, highlighted by state funding of $5,000,000 for a new police station and a REAP grant of $73,166 for planning-related updates.

- **New Police Station Funding:** The $5,000,000 increase in state funding, facilitated through efforts by Senator Melissa Hurtado and Assemblywoman Dr. Jasmeet Bains, is earmarked for the construction of a new police station. This significant investment reflects our successful advocacy for state support in enhancing local public safety infrastructure.

- **REAP Grant:** The $73,166 increase from the REAP Grant will support our user and regulatory fee study update among other planning-related updates, indicating our commitment to sustainable urban development and efficient service delivery.

Other Revenues: Increase of $263,321, including public safety taxes, COPS state funding, and insurance recoveries for a police vehicle.

- **Public Safety and COPS Funding:** The increase in public safety taxes ($17,425) and COPS state funding ($165,896) relate to annual allocations that were not incorporated into the original budget.

- **Auto Insurance Claim:** The anticipated receipt of $80,000 from an auto insurance claim, related to a high-speed chase incident, demonstrates our diligence in managing city assets and liabilities. This funding will partially offset the cost of replacing a police vehicle, with total expenses anticipated around $100k.

Staffing and Operational Adjustments

Current Vacancies: Detailed overview of recruitment efforts across various departments, underscoring the challenge of staffing shortages.

Position	Position Type	Status
Police Captain	Full Time	Recruiting
Police Officer	Full Time	Recruiting
Police Officer Trainee	Full Time	Recruiting
Police Office Tech	Part Time	Recruiting
Police Office Tech	Full Time	Recruiting
Public Works Director	Full Time	Start Date 2/26/2024
Street Sweeper	Full Time	Start Date 2/26/2024
Street Maint I	Full Time	Backgrounds
Water Operator I	Full Time	Recruiting
Water Operator II	Full Time	Backgrounds
Groundskeeper	Full Time	Backgrounds
Transit Driver	Full Time	Recruiting
Building Inspector I/Code Enforcement Officer	Full Time	Recruiting
Grant Manager	Full Time	Recruiting
Accounting Clerk II	Full Time	On Hold - Potential Promotion
Staff Accountant	Full Time	On Hold - Potential Promotion

Projected Staffing Cost Adjustments: A decrease of $378,634 in the General Fund and $166,091 across other funds, reflecting the net impact of vacancies, proposed organizational changes, and operational efficiencies.

Departmental Budget Requests

General Fund Increase Requests: Totaling $454,922, aimed at covering overtime due to vacancies, and specific needs such as vehicle repairs, training, and supplies.

- **City Council:** A modest increase of $150 for postage costs reflects the need to enhance communication with constituents, especially important for ensuring transparency and engagement in our governance processes.
- **City Administration:** An additional $600 allocated for overtime is necessary due to the increased workload associated with ongoing projects and initiatives. This ensures that critical administrative functions continue without disruption.
- **City Clerk:** A decrease of $7,000 in overtime expenses results from transitioning the City Clerk position to an exempt status, optimizing staffing costs while maintaining efficiency in clerical operations.
- **Finance & Accounting:** An increase of $3,000 for overtime is required to manage the heightened financial analysis and reporting demands, crucial for maintaining accurate and timely financial oversight.
- **Non-Departmental:** An additional $27,396 is needed to cover underbudgeted printer maintenance agreements ($15,396) and unbudgeted outsourced internal investigations ($12,000). These adjustments address unforeseen expenses and are essential for operational support across departments.
- **Planning:** An increase of $73,166 supports user and regulatory fee updates and other planning updates funded by REAP grant funds, vital for sustaining the city's planning and development activities.
- **Public Safety (Police Department):**
  - **Overtime:** An additional $135,000 is needed due to staffing shortages, ensuring continued public safety services.
  - **Vehicle Repairs:** $25,000 is allocated for unexpected repairs, maintaining the department's operational readiness.
  - **Training:** $7,300 supports essential professional development for police personnel.
  - **Vet Services for New K-9:** $2,500 is allocated for the care and training of a new K-9 unit, enhancing the department's capabilities.
  - **Miscellaneous Supplies:** $5,450 for operational supplies to support daily law enforcement activities.
  - **Vehicle Replacement:** $100,000 (partially funded through insurance claims) for replacing a police vehicle involved in a high-speed chase, ensuring the department maintains its fleet integrity.
- **Animal Control:** An increase of $29,760 is requested to cover underbudgeted USDA loan payments ($23,705), building repairs ($4,800), and miscellaneous supplies ($1,255), ensuring the department continues to provide effective animal control services.
- **Building Inspection:** An additional $25,000 is needed to cover underbudgeted plan check and building inspection costs. This increase is due to outsourcing these services because of vacancies in the building inspector position, ensuring continued compliance and safety in construction activities.
- **Streets:** An increase of $17,600 is necessary to cover overtime ($6,700), professional services ($2,700), and miscellaneous supplies ($8,200), essential for maintaining city infrastructure and public safety.
- **Facilities Maintenance:** An increase of $10,000 allows for internal handling of building repairs, leveraging the full-time facilities maintenance position to improve cost efficiency and maintain city-owned properties.

Adjustments to Other Funds: Additional requests for building repairs, supplies, and overtime, indicating the need for increased budget allocations to maintain service levels.

- **Sewer Fund:** A requested increase of $13,200 for building repairs ($5,000) and miscellaneous supplies ($8,200) addresses the ongoing maintenance and operational needs of the sewer system, ensuring environmental compliance and service reliability.

- **Water Fund:** An increase of $36,200 is needed, with $26,200 for overtime to manage system demands and $10,000 for miscellaneous supplies, ensuring the continuity of safe and reliable water services to the community.
- **Transit Fund:** An additional $7,350 for vehicle repairs ($7,000) and miscellaneous supplies ($350) supports the city's transit services, essential for community mobility and access to services.

Financial Transfers and Impact

Budgeted Transfers: A net increase of transfers into the General Fund by $578,711, facilitated by the newly developed Cost Allocation Plan (CAP). The city's decision to implement a CAP marks a significant move towards rectifying historical financial imbalances and ensuring a fair distribution of shared service costs across all departments.

- **Cost Allocation Plan Implementation:** The CAP corrects the disproportionate burden previously placed on the General Fund by accurately allocating central service costs to all operating departments based on their actual usage.
- **Benefits to the General Fund:** Strengthening the General Fund with an additional $578,711 enables the city to better fund critical services, contributing to the overall well-being and safety of the community.
- **Equitable Impact on Other Funds:** While other funds see a corresponding increase in transfers out, this adjustment ensures each department contributes fairly to shared service costs, promoting efficiency and fiscal sustainability.

FINANCIAL IMPACT:

The mid-year budget review has identified necessary adjustments across various funds to address unforeseen expenditures and strategic initiatives, ensuring the City of McFarland continues to meet its operational and service delivery objectives. The proposed adjustments reflect a comprehensive analysis aimed at maintaining fiscal stability and enhancing community services. The total proposed adjustments to the General Fund amount to an increase of $6,397,853. For the enterprise and other funds, a total adjustment of $468,310 is proposed.

RECOMMENDATION:

Approval of the resolution for mid-year budget adjustments, as detailed in this report, is recommended to ensure the City of McFarland's financial stability and continued service excellence.

ATTACHMENTS:

None

RESOLUTION NO. 2024-24

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCFARLAND, CALIFORNIA, APPROVING MID-YEAR BUDGET ADJUSTMENTS FOR THE FISCAL YEAR 2023-2024

WHEREAS, the City of McFarland is committed to the effective and efficient management of its financial resources to ensure the delivery of essential services to the community; and

WHEREAS, the City Finance Director has presented a mid-year budget review, identifying necessary adjustments to the General Fund and other funds to address operational needs, unforeseen expenditures, and strategic initiatives; and

WHEREAS, the proposed adjustments include an increase of $6,397,853 in the General Fund, reflecting updated revenue projections, departmental budget needs, and the city's response to dynamic fiscal challenges; and

WHEREAS, the adjustments also include a total of $468,310 in enterprise and other funds, critical for addressing specific operational challenges and ensuring the continued provision of vital services; and

WHEREAS, these adjustments are in line with the city's commitment to fiscal responsibility, community welfare, and strategic long-term planning; and

WHEREAS, the City Council recognizes the need for flexibility and responsiveness in budget management to address both expected and unexpected financial challenges;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of McFarland that it hereby finds and determines as follows:

1. The mid-year budget adjustments for the Fiscal Year 2023-2024, as outlined by the City Finance Director, are hereby approved.
2. The Finance Director is authorized to make the necessary adjustments to the General Fund and other funds to reflect the approved changes.
3. The City Council reaffirms its commitment to fiscal stability, operational efficiency, and the provision of high-quality services to the residents of McFarland.
4. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of McFarland on February 22, 2024 by the following vote:

	Aye	**Nae**	**Abstain**	**Absent**
Saul Ayon				
Ricardo Cano				
Amador Ayon				
Anita Gonzalez				
María T. Pérez				

CITY OF MCFARLAND

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Saul Ayon, Mayor

ATTEST:

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Francisca Alvarado, City Clerk

I, ___________________________, City Clerk of the City of McFarland, California, DO HEREBY CERTIFY that the foregoing resolution is a true and accurate copy of the Resolution passed and adopted by the City Council of the City of McFarland on the date and by the vote indicated herein.

____
Francisca Alvarado, City Clerk