

# FY 2021/22 Fourth Quarter Report

Finance Department

City Council  
January 24, 2023

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## GENERAL FUND OVERVIEW

### Budget Strategy

Focused on immediate fiscal challenges:

- Unpredictable impacts of COVID-19 pandemic
- Rising retirement costs
- Projected structural deficit
- Upcoming MOU negotiations
- Challenge to the Electric GFT

Balancing measures included:

- \$10.0M balancing measure allocated to departments
- Flat non-personnel costs with exceptions

### Revenue Highlights

Budget Strategy:

- Based on prior fiscal year-to-date revenue trends
- Gradual recovery from the pandemic

Mid-Cycle Adjustments:

- \$13.7M increase in projections based on FY 2021/22 audited results, updated trends.

Fiscal Year End Results:

- \$10.8M above revised projections, primarily in sales tax.

### Expenditure Highlights

Budget Strategy:

- \$10M balancing measure allocated to departments
- Flat non-personnel costs with exceptions

Mid-Cycle Adjustments:

- Rescind \$10M balancing measure upon certification of Measure C; not recorded due to late ruling

Fiscal Year End Results:

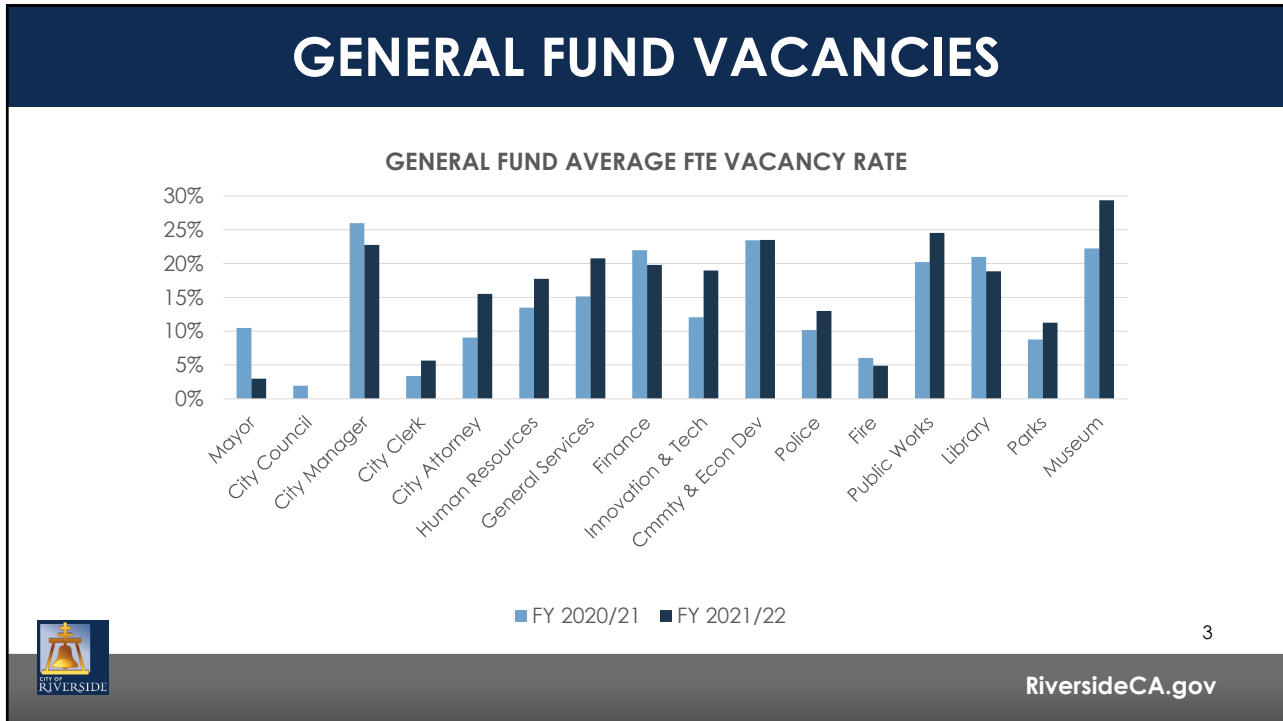
- \$15.4M savings, largely due to vacancies

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## GENERAL FUND – FUND BALANCE

*(in millions)*

|                                   |                 |
|-----------------------------------|-----------------|
| <b>Beginning Fund Balance</b>     | <b>\$ 64.69</b> |
| <b>FY 2021/22 Activity</b>        |                 |
| Revenues                          | \$ 312.60       |
| Expenditures                      | (271.32)        |
| Encumbrances                      | (6.50)          |
| Restricted Carryovers*            | (0.89)          |
| Discretionary Carryovers*         | (2.44)          |
| <b>Subtotal</b>                   | <b>\$ 31.45</b> |
| Change in Other Reserves          | (0.31)          |
| <b>Net Change in Fund Balance</b> | <b>\$ 31.14</b> |

*(in millions)*

|                                   |                   |
|-----------------------------------|-------------------|
| <b>Fund Balance Reserves</b>      |                   |
| 15% Emergency Reserve             | \$ (45.85)        |
| 5% Contingency Reserve            | (15.28)           |
| <b>Total Policy Reserves</b>      | <b>\$ (61.13)</b> |
| <hr/>                             |                   |
| <b>Projected Surplus Reserves</b> | <b>\$ 34.70</b>   |

*\*Subject to Council approval*

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## GENERAL FUND – SURPLUS RESERVES

### RECOMMENDED USE OF SURPLUS RESERVES (in millions)

|   |                  |
|---|------------------|
| <b>Projected Surplus Reserves</b>       | <b>\$34.70</b>   |
| <b>Proposed Use of Surplus Reserves</b> |                  |
| MOU Impacts                             | \$(15.00)        |
| Capital Replacement Fund                | (10.00)          |
| Section 115 Trust                       | (9.70)           |
| <b>Total</b>                            | <b>\$(34.70)</b> |
| <hr/>                                   |                  |
| <b>Remaining Surplus Reserves</b>       | <b>\$0.00</b>    |



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## MEASURE Z FY 2021/22 RESULTS

| <i>(in millions)</i>                    | 2017           | 2018            | 2019            | 2020            | 2021            | 2022             |
|---|----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Revenue                                 | \$12.61        | \$ 56.24        | \$ 62.82        | \$ 63.14        | \$ 72.65        | \$ 83.91         |
| Expenditures                            | (9.98)         | (36.14)         | (40.99)         | (49.56)         | (50.85)         | (67.86)          |
| Encumbrances & Carryovers               |                |                 |                 |                 |                 | (49.05)          |
| <b>Net Change in Fund Balance</b>       | <b>\$ 2.63</b> | <b>\$ 20.10</b> | <b>\$ 21.83</b> | <b>\$ 13.58</b> | <b>\$ 21.80</b> | <b>\$(33.00)</b> |
| Beginning Unallocated Fund Reserves     | \$ -           | \$ 2.63         | \$ 22.73        | \$ 39.56        | \$ 53.14        | \$ 74.94         |
| Net Change in Fund Balance              | 2.63           | 20.10           | 21.83           | 13.58           | 21.80           | (33.00)          |
| Fund Balance Reserve Policy             | -              | -               | (5.00)          | -               | -               | -                |
| <b>Ending Unallocated Fund Reserves</b> | <b>\$ 2.63</b> | <b>\$ 22.73</b> | <b>\$ 39.56</b> | <b>\$ 53.14</b> | <b>\$ 74.94</b> | <b>\$ 41.94</b>  |

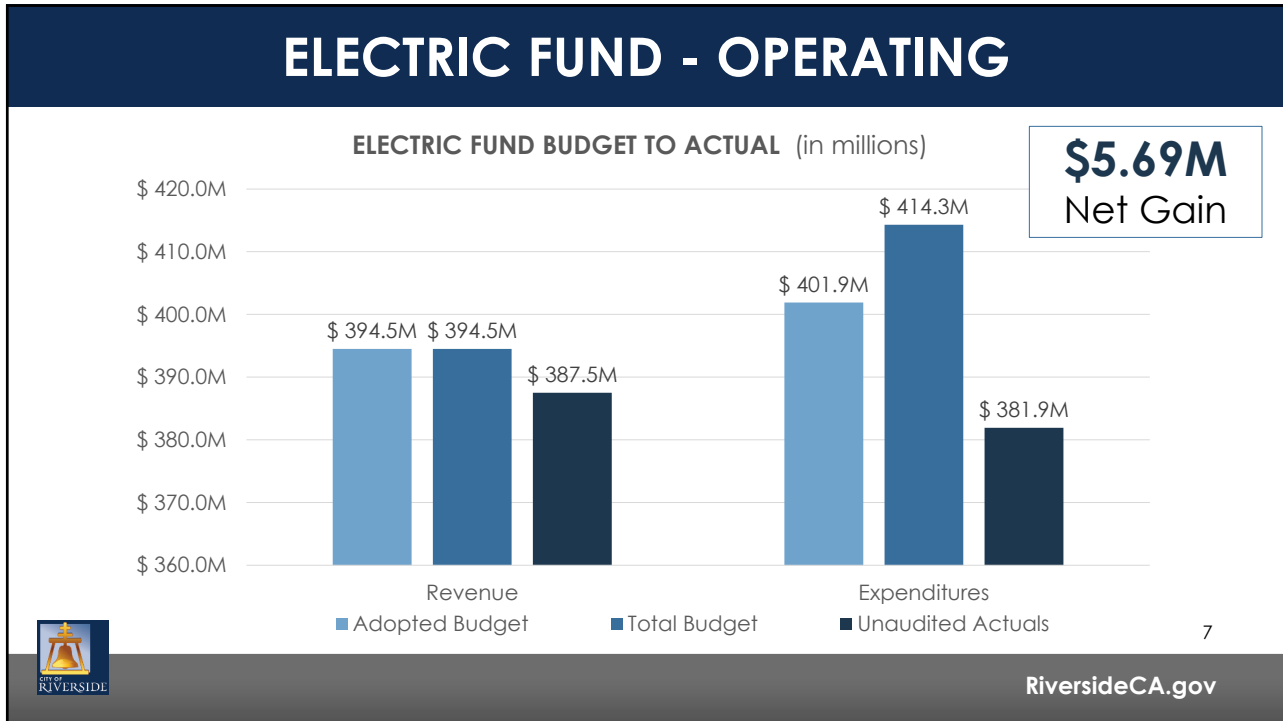
The FY 2022-2024 Adopted Budget and updated 5-Year Spending Plan includes a draw on unallocated reserves through FY 2026/27 totaling \$33 million.

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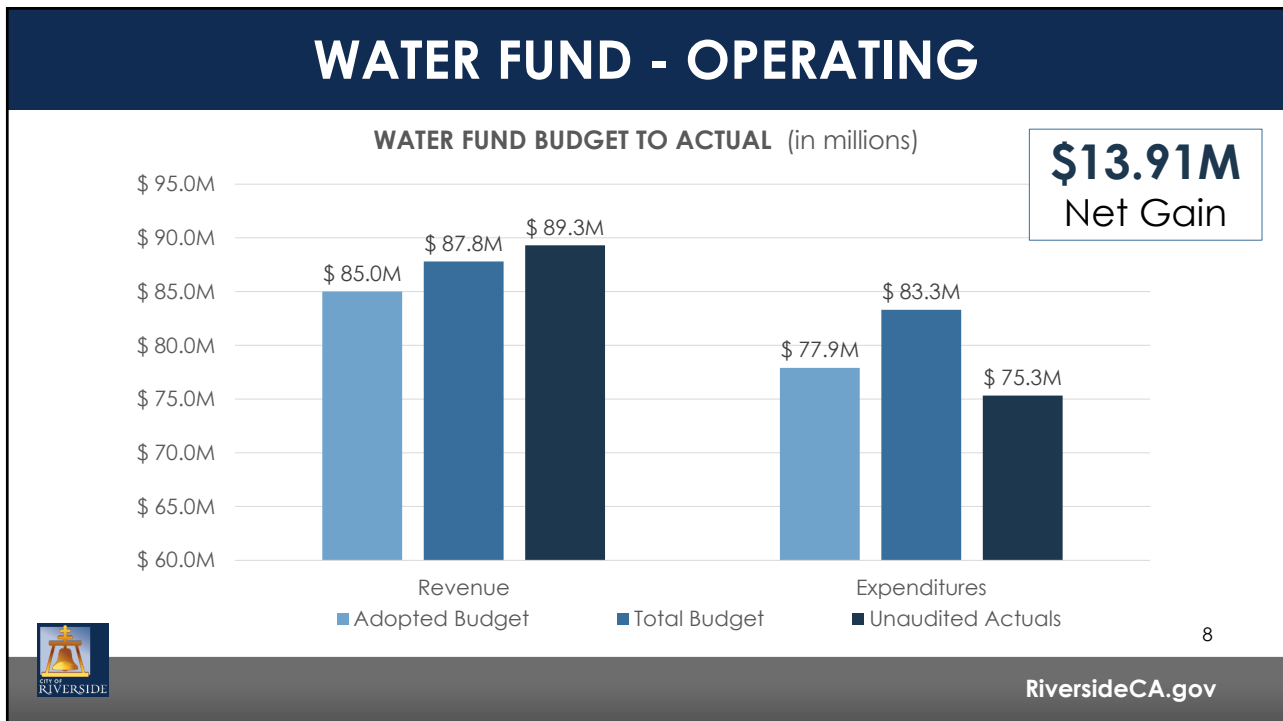


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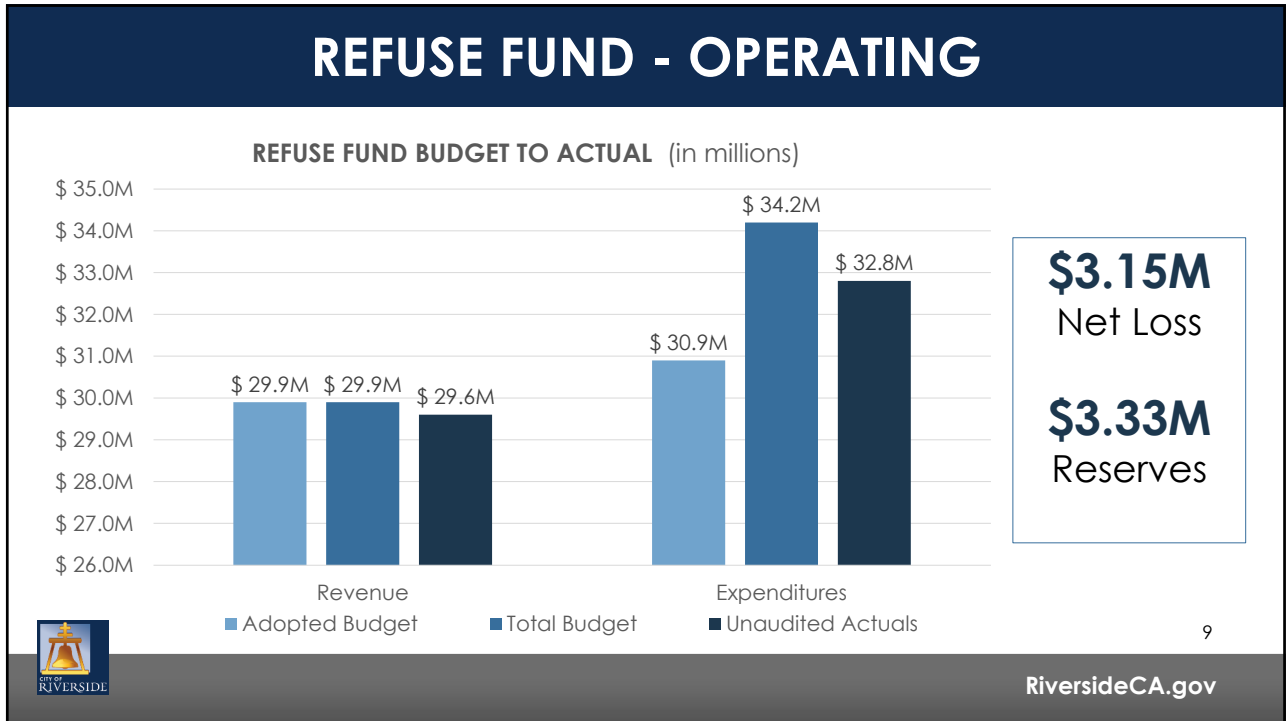
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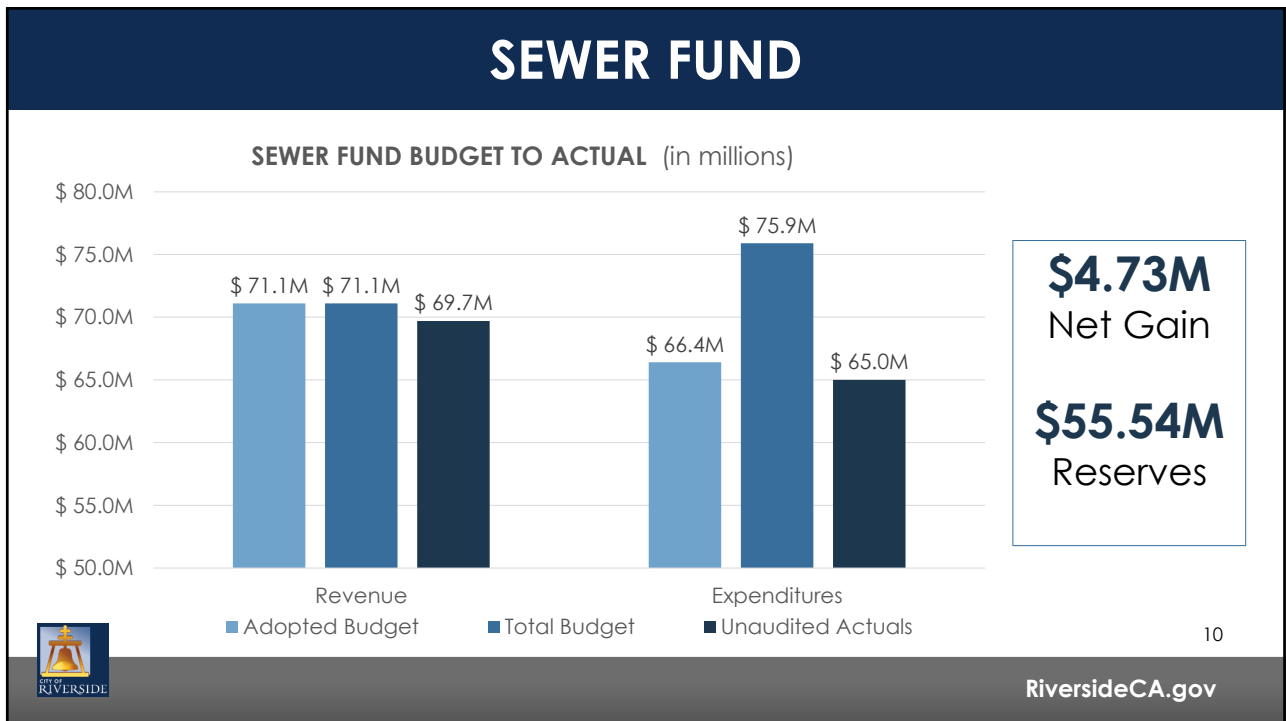
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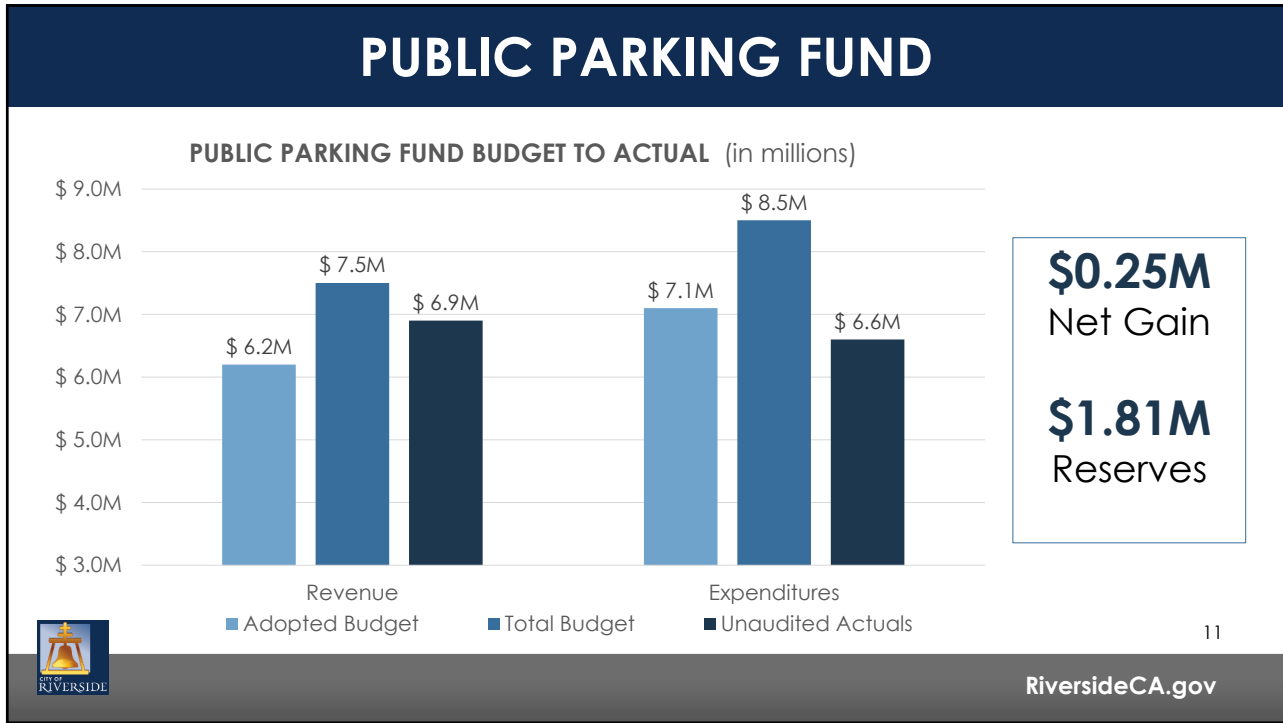
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## CARRYOVERS

| Fund                    | Restricted         | Discretionary       | Total               |
|-------------------------|--------------------|---------------------|---------------------|
| General Fund            | \$890,184          | \$2,442,594         | \$3,332,778         |
| Measure Z Fund          | -                  | 16,472,798          | 16,472,798          |
| Electric Fund           | -                  | 9,154,491           | 9,154,491           |
| Water Fund              | -                  | 965,891             | 965,891             |
| Refuse Fund             | -                  | 113,812             | 113,812             |
| Sewer Fund              | 9,991              | 6,722               | 16,713              |
| Other Funds             | 4,002,036          | 8,567,337           | 12,569,373          |
| <b>Total Carryovers</b> | <b>\$4,902,211</b> | <b>\$37,723,645</b> | <b>\$42,625,856</b> |

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## STRATEGIC PLAN ALIGNMENT



### HIGH PERFORMING GOVERNMENT

#### CROSS-CUTTING THREADS



Community Trust



Equity



Innovation



Fiscal  
Responsibility



Sustainability  
and Resiliency



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## RECOMMENDATIONS

That the City Council:

1. Receive and provide input on the Fiscal Year 2021/22 Fourth Quarter Financial Report;
2. With at least five affirmative votes, approve a carryover of unexpended funds of approximately \$3.3 million in the General Fund and \$39.3 million in other City funds into fiscal year 2022/23; and
3. Approve staff's recommendation on use of the \$34.7 million in surplus reserves in the General Fund.



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