



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 22, 2018

FROM: FINANCE DEPARTMENT WARDS: ALL
HUMAN RESOURCES DEPARTMENT
INNOVATION & TECHNOLOGY DEPARTMENT
OFFICE OF THE CITY ATTORNEY
OFFICE OF THE CITY CLERK
OFFICE OF THE CITY MANAGER
OFFICE OF THE CITY COUNCIL
OFFICE OF THE MAYOR

SUBJECT: OVERVIEW OF PROPOSED FISCAL YEAR 2018-2020 TWO-YEAR BUDGET, FISCAL YEAR 2018-2020 CAPITAL IMPROVEMENT PROGRAM BUDGET, AND FISCAL YEAR 2018-2023 CAPITAL IMPROVEMENT PROGRAM PLAN FOR THE DEPARTMENTS OF FINANCE, HUMAN RESOURCES, AND INNOVATION & TECHNOLOGY, AND THE OFFICES OF THE CITY ATTORNEY, CITY CLERK, CITY MANAGER, CITY COUNCIL, AND MAYOR

ISSUE:

Receive and provide input on the proposed Fiscal Year 2018-2020 Two-Year Budget, Fiscal Year 2018-2020 Capital Improvement Program Budget, Fiscal Year 2018-2023 Capital Improvement Program Plan, and General Fund balancing measures for the Departments of Finance, Human Resources, and Innovation & Technology, and the Offices of the City Attorney, City Clerk, City Manager, City Council, and Mayor.

RECOMMENDATION:

That the City Council receive and provide input on the proposed Fiscal Year 2018-2020 Two-Year Budget, Fiscal Year 2018-2020 Capital Improvement Program Budget, Fiscal Year 2018-2023 Capital Improvement Program Plan, and General Fund balancing measures for the Departments of Finance, Human Resources, and Innovation & Technology, and the Offices of the City Attorney, City Clerk, City Manager, City Council, and Mayor.

BACKGROUND:

In November 2017, departments began development of the Fiscal Year (FY) 2018-2020 Two-Year Budget. Departments were asked to identify balancing measures that would help the City to close projected General Fund shortfalls of approximately \$4 million in FY 2018/19 and \$6.3

million in FY 2019/20. The General Fund FY 2018-2020 Baseline Budget was presented to the City Council on January 16, 2018.

In a series of meetings occurring in January 2018, the General Fund FY 2018-2020 Baseline Budget, balancing measures, critical unfunded needs, and an overview of individual City department budgets were presented to the Budget Engagement Commission (BEC) for review and input. Additional input on balancing measures and critical unfunded needs was received from the BEC, Council members and the Riverside community during the months of January and February. Refined balancing measures were incorporated into the two-year budget to arrive at a balanced General Fund biennial budget for FY 2018-2020. The proposed FY 2018-2020 Two-Year Budget and 2018-2023 Capital Improvement Program (CIP) were presented to the City Council for review and input on May 1, 2018.

DISCUSSION:

Finance Department

The Finance Department employs 60 full-time equivalent positions organized into 7 divisions to manage and monitor the City’s finances; issue timely financial reports, analyses, and projections; develop budgets and long-term financial plans; recommend and manage debt financing strategies; manage the City’s purchasing activities; administer the City’s business tax and risk management programs; and accurately record City revenues. The tables below provide summaries of the Department’s total budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
2300 - Administration	3,924,083	4,609,228	3,134,644	3,236,703
2302 - Debt & Treasury Admin	-	-	2,909,808	2,967,980
2304 - Business Tax	-	-	1,036,020	1,102,147
2305 - Accounting	3,510,188	3,861,003	2,605,363	2,716,290
2310 - Budget and Revenue	1,454,795	1,431,966	1,033,202	1,146,698
2315 - Purchasing	1,011,900	1,312,812	1,177,780	1,269,606
2320 - Risk Management	6,068,988	6,704,522	8,673,619	8,907,656
2370 - Debt Service	99,987,129	50,952,574	36,142,794	44,735,435
2380 - Street Lighting	2,153	-	4,559,783	4,560,191
2390 - Districts	5,675,136	4,174,694	4,138,071	4,092,851
2399 - Managed Savings	-	(125,000)	-	-
7223 - Non-Departmental	8,405,554	9,518,753	11,722,304	11,904,685
Total	130,039,926	82,440,552	77,133,388	86,640,242

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	81,361,500	54,683,585	21,742,101	22,419,861
110 - Measure Z Fund	4,310	-	5,905,054	10,952,990
291 - Special Districts	-	-	4,559,783	4,560,191
390 - Debt Service Fund - General	37,070,298	17,027,082	32,264,740	35,809,445
442 - Hunter Business Park AD	2,153	-	-	-

450 - Canyon Springs AD	80,820	-	-	-
456 - CFD-Riverwalk Vista	(2,415,459)	-	-	-
458 - CFD Syc. Canyon 92-1	10,288	-	-	-
459 - CFD 2006-1-RW Vista Area #2	3,996,314	-	-	-
620 - Unemployment Insurance	129,589	163,110	157,369	157,893
630 - Liability Insurance Trust	5,939,399	6,541,412	8,516,250	8,749,763
741 - Asmt Dist - Misc	417,851	418,136	416,336	419,985
742 - Hunter Business Park AD	1,022,558	1,025,772	1,024,581	1,021,609
745 - Riverwalk Assessment District	734,985	736,911	737,158	733,470
746 - Riverwalk Bus. Assmt. Dist.	306,019	305,350	303,393	300,182
756 - CFD-Riverwalk Vista	303,315	329,672	304,478	307,157
758 - CFD Syc. Canyon 92-1	681,521	675,609	662,165	663,954
759 - CFD 2006-1-RW Vista Area #2	311,307	374,513	378,942	382,241
760 - CFD 2014-2 Highlands	83,158	152,800	151,038	151,501
761 - CFD 2013-1 Kunny Ranch	-	6,600	10,000	10,000
Total	130,039,926	82,440,552	77,133,388	86,640,242

Operating Budget Summary

The Finance Department budget presented above incorporates all non-department specific budgets, including the City’s Debt Service, Self-Insurance, Special District, Assessment District, and Community Facility District funds, as well as non-departmental Measure Z spending items. The Finance Department’s functional operating budget totals \$9.0 million in FY 2018/19 and \$9.6 million in FY 2019/20; the budget of each fiscal year includes nearly \$1.4 million of citywide merchant fee expenditures, which are subsequently allocated to City departments.

Specific department challenges in this budget cycle include:

- Limited funding available for ad-hoc professional services and/or training, particularly related to:
 1. CalPERS: Frequent changes require in-depth analysis.
 2. Debt: Restructuring and new issuances.
 3. Financial Reports/Audits: New accounting pronouncements will require the expertise of financial advisors and training for staff.

Within the General Fund, the department’s balancing measures total \$671,700 in FY 2018/19 and \$371,700 in FY 2019/20. The majority of the balancing measure (\$650,000 and \$350,000 in the respective fiscal years) is the anticipated increase in property tax revenue resulting from the refunding of the 2007 Tax Allocation Bonds.

Human Resources Department

The Human Resources Department (HR) employs 39 full-time equivalent positions organized into two divisions. HR provides administrative support to all City Departments for the recruitment, hiring and training of City staff, and administers the City’s employee health, wellness, safety and training programs. HR also administers the City’s Workers’ Compensation program. The tables below provide summaries of the Department’s total budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
210000 - HR - Administration	3,289,037	3,961,606	4,967,322	5,354,164
211510 – HR – Workers’ Comp	5,910,960	5,944,359	6,618,389	6,732,634
219000 - HR -Debt	66,274	69,471	55,494	38,898
219900 - HR-Managed Savings	-	(100,000)	-	-
Total	9,266,271	9,875,436	11,641,205	12,125,696

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	3,355,311	3,931,077	4,887,878	5,242,241
110 - Measure Z Fund	0	0	134,938	150,821
610 - Workers' Compensation Trust	5,910,960	5,944,359	6,618,389	6,732,634
Total	9,266,271	9,875,436	11,641,205	12,125,696

Operating Budget Summary

The operating budget for HR totals \$11.6 million in FY 2018/19 and \$12.1 million in FY 2019/20, inclusive of the Worker’s Compensation fund. Within the Worker’s Compensation fund, approximately \$5.1 million is directly related to paid claims, legal fees and other similar costs. Excluding these costs, HR’s functional operating budget totals \$5.8 million in FY 2018/19 and \$6.2 million in FY 2019/20.

Specific department challenges in this budget cycle include:

- Insufficient funding for the citywide training program and mandated training for employees to ensure compliance with mandatory training laws.
- Unfunded need to provide citywide succession planning and TMS implementation.

Within the General Fund, the department’s balancing measures total \$35,000 in FY 2018/19 and \$40,000 in FY 2019/20 in professional services.

Innovation & Technology Department

The Innovation & Technology Department (IT) employs 59.25 full-time equivalent positions organized into seven divisions that provide internal service support to City Departments. The primary function of the IT Department is to build, maintain and safeguard the City’s technology infrastructure. The tables below provide a summary of the Department’s operating budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
240000 - IT-Administration	2,518,409	2,066,707	3,384,817	3,621,894
240500 - IT-Network	759,258	841,242	1,128,201	1,221,710
241000 - IT-Operations	2,929,270	3,193,171	3,170,866	3,432,378
241500 - IT-Applications	3,296,142	3,950,551	4,013,931	4,481,850
242000 - IT-Client Services	939,413	965,977	1,134,304	1,258,872

242500 - IT-Cybersecurity	195,561	262,395	346,712	410,108
243000 - IT-GIS	750,764	786,706	-	-
243500 - IT-Project Management	205,436	200,527	-	-
244000 - IT-Innovation Division	-	-	1,842,718	1,938,665
249000 - IT-Debt	559,678	561,091	417,800	273,351
249900 - IT-Managed Savings	-	(350,000)	-	-
Total	12,153,931	12,478,367	15,439,349	16,638,828

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	12,153,931	12,478,367	14,293,903	15,392,026
110 - Measure Z Fund	-	-	1,145,446	1,246,802
420 - Measure Z - Capital Projects	-	-	-	-
Total	12,153,931	12,478,367	15,439,349	16,638,828

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Budget incorporates contractually obligated items, but does not provide significant funding for unplanned equipment failures.
- Industry shift from perpetual license models to subscription based licenses.
- Equipment has shorter lifespan due to a faster product development cycle that is required to keep up with cybersecurity vulnerabilities.
- IT FTEs remain static as expanding use of technology helps departments become more productive.

Within the General Fund, the department’s balancing measures total \$509,667 in FY 2018/19 and \$552,492 in FY 2019/20. New revenue generation of \$100,000 is anticipated in each fiscal year for the sale of city-owned internet addresses; this is a one-time revenue and is not expected to extend beyond the current budget period. The majority of the expenditure cost savings is expected to come from software maintenance and support.

Capital Budget Summary

IT plans to oversee a Data Network Replacement project which will be funded by Measure Z with a portion allocated to Non-General Fund. The project is expected to extend over three years, with project costs of \$1.4 million in FY 2018/19 and \$1.2 million in FY 2019/20.

Office of the City Attorney

The City Attorney’s Office (CAO) employs 34 full-time equivalent positions that provide general legal services to the entire City in the form of litigation and municipal services. Legal services provided by the CAO include, but are not limited to: civil litigation defense and prosecutions; rendering of legal advice; and preparation of various types of legal documents including ordinances, resolutions, agreements and security instruments. The tables below provide a summary of the Department’s total budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
130000 - Office of the City Attorney	5,116,881	5,697,544	6,728,350	7,273,706
130500 - Community Livability Advocacy	22,088	500,000	497,043	501,591
139000 - City Atty-Debt	58,584	61,411	49,056	34,385
139900 - CA-Managed Savings	-	(50,000)	-	-
Total	5,197,553	6,208,955	7,274,449	7,809,682

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	5,175,648	6,208,955	7,017,367	7,527,617
110 - Measure Z Fund	21,905	-	257,082	282,065
Total	5,197,553	6,208,955	7,274,449	7,809,682

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Increasing costs associated with more in-house work.
- Reduced funding for special programs that may be requested by the City Council.

Within the General Fund, the department’s balancing measures total \$260,039 in FY 2018/19 and \$280,474 in FY 2019/20 through a reduction of special programs funding. Special programs funding is a set-aside for ad-hoc services requested by the City Council.

Office of the City Clerk

The City Clerk’s Office employs 10 full-time equivalent positions serving three primary purposes: administrative services, including legislative support to the Mayor, City Council and public; election services; and records management. The tables below provide a summary of the Department’s total budget by section and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
120000 - Administration	1,418,918	1,501,333	1,755,216	1,859,011
120500 - Election Services	197,002	262,634	103,111	334,111
121000 - Records Management	44,992	47,250	44,250	44,250
129000 - Debt	21,969	23,029	18,396	12,894
Total	1,682,881	1,834,246	1,920,973	2,250,266

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	1,682,881	1,834,246	1,920,973	2,250,266

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Election Services costs fluctuate from year to year depending on election cycles and ballot measures, if any.
- Absorb increasing customer service demands at Passport Services within current staffing levels.
- Identify and fund marketing efforts to grow and diversify board and commission applicant pool.

Within the General Fund, the department’s balancing measures total \$187,408 in FY 2018/19 and \$0 in FY 2019/20. The majority of savings are attributable to the fact that no elections are scheduled in FY 2018/19.

Office of the City Manager

The City Manager’s Office (CMO) employs 32.55 full-time equivalent positions organized into five sections to carry out the City Council’s policies and procedures through the strategic and financial leadership of the entire City organization. The tables below provide a summary of the Department’s total budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
110000 - Administration	2,825,293	2,712,331	3,255,410	3,462,271
111500 - Communications Office	1,567,902	1,558,550	2,050,313	2,192,597
112500 - Community Police Review Commission	209,523	240,644	271,746	276,002
113500 - Sundry/General Government	272,531	257,100	297,102	309,937
114500 - Organizational Performance & Accountability	375,808	346,106	591,946	641,948
115000 - Public Relations	158,727	143,306	173,082	184,990
115500 - Intergovernmental Relations	221,198	361,174	267,158	282,993
119000 - Debt	53,703	56,293	44,968	31,520
119900 - Managed Savings	-	(100,000)	-	-
7211 - Non-Departmental	467,214	950,000	1,050,000	1,077,500
Total	6,151,899	6,525,504	8,001,725	8,459,758

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	6,151,899	6,525,504	7,728,056	8,155,775
110 - Measure Z Fund	-	-	273,669	303,983
Total	6,151,899	6,525,504	8,001,725	8,459,758

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Staffing challenges in the Office of Organizational Performance and Accountability, including additional positions and filling vacancies with qualified applicants.
- Reduced operational funding available for innovative programs that benefit city residents including our shop local campaign, ShopRiverside.
- Community Police Review Commission is limited to the amount of additional investigation work and funding for commissioner training.
- Limitation on the training and networking opportunities that are needed to improve public relations.
- Unfunded federal lobbyist services constrain efforts to advance desired legislation for our residents.

Within the General Fund, the department’s balancing measures total \$192,432 in FY 2018/19 and \$405,595 in FY 2019/20. In FY 2019/20, \$200,000 of the balancing measure is expected to be achieved through new revenue generation in the form of sponsorships.

Office of the City Council

The City Council’s Office employs 14 full-time equivalent positions, including seven Council members and a Council assistant assigned to each Council Member. The tables below provide a summary of the Department’s total budget by section and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
020000 - City Council	1,719,215	1,710,131	1,552,838	1,642,840
029000 - City Council-Debt	29,292	30,705	24,528	17,193
Total	1,748,507	1,740,836	1,577,366	1,660,033

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	1,748,507	1,740,836	1,577,366	1,660,033

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Limited funding available for equipment replacement (e.g. computers).

Office of the Mayor

The Office of the Mayor employs 7.25 full-time equivalent positions organized into two sections: Administration and Community Relations. The Administrative section provides leadership and support to the Mayor and the public, and the Community Relations section performs community

outreach. The tables below provide a summary of the Department's total budget by division and funding source:

DEPARTMENT BUDGET SUMMARY BY DIVISION				
Division	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
010000 - Mayor - Administration	684,020	618,099	681,516	725,318
012000 - Community Relations	382,380	374,311	395,084	426,858
019000 - Debt	15,012	15,737	12,571	8,811
Total	1,081,412	1,008,147	1,089,171	1,160,987

DEPARTMENT BUDGET SUMMARY BY FUND				
Fund	FY 2016/17 Actual	FY 2017/18 Adopted	FY 2018/19 Proposed	FY 2019/20 Proposed
101 - General Fund	1,081,412	1,008,147	1,089,171	1,160,987

Operating Budget Summary

Specific department challenges in this budget cycle include:

- Voluntary 4.6% reductions in last budget cycle left lean operations.
- Increased roles and decreased personnel.
- Limited funding available for equipment (e.g. computers).

Budget Timeline

Budget hearings for City departments are scheduled as follows:

May 8, 2018:

- Parks, Recreation and Community Services Department
- Riverside Public Library
- Museum
- Community and Economic Development Department

May 15, 2018:

- Riverside Public Utilities
- Public Works
- General Services
- Police
- Fire

May 22, 2018

- Finance
- Human Resources
- Innovation & Technology
- City Attorney
- City Clerk
- City Manager's Office

- City Council
- Mayor

June 12, 2018

On May 1, 2018, the City Council approved a public hearing for the adoption of the FY 2018-20 Two-Year CIP and Operating budgets on June 12, 2018. All feedback and requested changes from the City Council during the budget hearings on May 1st through May 22nd will be incorporated into the budget materials reviewed by the City Council on June 12, 2018.

The Departments of Finance, Human Resources, and Innovation and Technology, and the Offices of the City Attorney, City Clerk, City Manager, City Council and the Mayor concur with the recommendations in this report.

FISCAL IMPACT:

There is no direct fiscal impact resulting from this report. The budget of each City department was included in the proposed FY 2018-2020 Two-Year Budget and FY 2018-2020 Capital Improvement Program Budget presented to the City Council on May 1, 2018, and will be included in the FY 2018-2020 Two-Year Budget presented to the City Council for adoption on June 16, 2018.

Prepared by: Kristie Thomas, Interim Budget Manager
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Department Presentations