

GENERAL FUND FINANCIAL ANALYSIS

Overview

The General Fund’s FY 2019/20 unaudited actuals present a net loss of \$4.8 million, with \$284.2 million in expenditures and encumbrances outpacing revenues of \$279.5 million. However, a concerted savings effort resulted in a net budgetary savings of \$17.0 million. This amount represents fund balance that was set aside for use (appropriated) in prior fiscal years but not actually expended by the fiscal year end.

GENERAL FUND SUMMARY					
	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Incoming Resources	\$279,136,415	\$278,798,165	\$279,452,623	\$654,458	0.2%
FY 2019/20 Expenditures	\$280,372,427	\$292,679,357	\$280,476,459		
FY 2018/19 Carryovers		4,250,802			
FY 2018/19 Encumbrances		3,574,467			
FY 2019/20 Encumbrances			3,729,408		
Total Outgoing Resources	\$280,372,427	\$300,504,626	\$284,205,867	\$(16,298,759)	-5.4%
Projected Net Gain / (Loss)	\$(1,236,012)	\$(21,706,461)	\$(4,753,244)	\$16,953,217	

Revenues: During the development of the FY 2018-2020 Budget, the approach was conservative with declining growth rates projected in the General Fund’s major revenue sources in anticipation of a slowing economy. The mid-cycle update included a rebalancing of revenues based on FY 2017/18 actuals and FY 2018/19 performance to date, with total revenues expected to come in as originally projected. This projection held through the FY 2019/20 Second Quarter Financial report for the period of July through December 2019. In March 2020, the COVID-19 pandemic prompted a state of emergency to be declared at all levels of government. Fiscal mitigation for FY 2019/20 focused on expenditures with no adjustment to revenues due to the uncertainty of ongoing and future events. While the pandemic did have a noticeable impact on some General Fund revenues, total revenues for the fund exceeded the budget projection by approximately \$650,000.

Expenditures: In March 2020, the City took immediate and decisive action to restrict spending to offset the potential impact of the pandemic on City finances. While some expenditures increased as a result of the pandemic, the effort resulted in total expenditure savings of \$16.3 million. Of this amount, \$13.6 million is personnel savings primarily due to the suspension of recruitment implemented by the City Manager’s Office. Additional savings were realized as a result of spending restrictions employed to offset potential impacts of the pandemic on City finances. The most notable expenditure overages are related to the unavoidable subsidies of the Convention Center and Entertainment funds.

Revenues

Overall, General Fund revenues are within 0.2% of projections, approximately \$650,000 higher than anticipated. Pandemic impacts were expected for sales tax revenue due to the stay-at-home Order and restricted business operations, but those impacts did not materialize. However, the impacts of the pandemic are clearly seen in other revenue categories. Transient Occupancy Tax

is nearly 17% lower than projected as result of travel and entertainment restrictions. Charges for Services is 21% lower than projections, including Parks and Recreation revenue that came in \$1.5 million lower than projections and 40% lower than prior year actuals. Other revenues in the Charges for Services category were also impacted by reduced activity during the pandemic, such as police alarm fees, fire inspection fees, and library fees. Revenue in other categories, including sales of City property; interest and the increase in the value of City investments; and administrative citations and penalties made up for the lagging revenues.

GENERAL FUND REVENUES					
Revenue Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Property Tax	\$70,194,896	\$70,194,896	\$70,805,354	\$610,458	0.9%
Sales Tax	66,159,534	66,159,534	66,273,220	113,686	0.2%
Utility Users Tax	28,837,533	28,837,533	29,043,610	206,077	0.7%
Transient Occupancy Tax	7,158,960	7,158,960	5,958,727	(1,200,233)	-16.8%
Franchise Fees	4,764,768	4,764,768	5,442,512	677,744	14.2%
Licenses & Non-Dev Permits	8,781,815	8,781,815	8,569,067	(212,748)	-2.4%
Intergovernmental	2,199,173	2,591,165	3,191,575	600,409	23.2%
Non-Dev Charges for Services	11,249,161	11,019,901	8,688,736	(2,331,165)	-21.2%
Developer Fees & Charges	7,872,527	7,872,527	8,012,906	140,379	1.8%
Fines and Forfeitures	1,190,334	1,190,334	1,885,829	695,495	58.4%
Special Assessments	504,727	504,727	563,032	58,305	11.6%
Miscellaneous Revenue	4,523,059	5,033,878	5,773,451	739,573	14.7%
Other Financing Sources	540,202	346,101	856,321	510,220	147.4%
General Fund Transfer	46,893,700	46,076,000	46,076,000	-	0.0%
Transfer from Measure Z	18,266,026	18,266,026	18,266,026	-	0.0%
Other Transfers In	-	-	46,257	46,257	100.0%
Total Revenues	\$279,136,415	\$278,798,165	\$279,452,623	\$654,458	0.2%

Of the City’s General Fund revenues, Property Tax, Sales and Use Tax, Utility Users Tax, Transient Occupancy Tax, and the General Fund Transfer comprise nearly 80% of all General Fund revenues. During the development of the FY 2018-2020 Budget, a 2% growth over FY 2018/19 projections in these major revenue sources was projected for FY 2019/20. At mid-cycle, the projections were improved by 2% to a total 4% growth on the basis of strong property tax revenues partially offset by a reduction in the General Fund Transfer based on actuals. FY 2019/20 actuals ended 0.3% higher than prior year actuals.

The following table provides a five-year historical view of the actual revenues generated by each of these sources by year.

GENERAL FUND MAJOR REVENUES FIVE-YEAR HISTORY (in millions)							
Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Utility Users Tax	General Fund Transfer	Total	Growth over Prior Year
FY 2015/16	\$54.0 M	\$61.0 M	\$6.1 M	\$27.8 M	\$44.8 M	\$193.7 M	1.6%
FY 2016/17	57.8 M	63.3 M	6.6 M	28.0 M	44.9 M	200.5 M	3.4%
FY 2017/18	61.7 M	64.1 M	6.8 M	27.5 M	46.2 M	206.4 M	2.8%
FY 2018/19	67.4 M	68.4 M	7.2 M	28.0 M	46.5 M	217.4 M	5.1%
FY 2019/20	70.8 M	66.3 M	6.0 M	29.0 M	46.1 M	218.2 M	0.3%
Growth over Prior Year	5.0%	-3.1%	-16.8%	3.7%	-0.8%	0.3%	

FY 2019/20 major revenue sources were influenced as follows:

- Property tax increased 5% over the prior year in response to a healthy housing market.
- Sales taxes were projected to decline in FY 2019/20 in response to a slowing economy and ended the fiscal year in line with the pre-pandemic projections, at 3.1% lower than the prior year.
- Transient Occupancy Tax (TOT) was adjusted downward during mid-cycle due to reduced hotel room availability during renovations and an increase in long-term stays (more than thirty consecutive days) that are not subject to TOT. TOT was further impacted by the pandemic due to travel and entertainment restrictions and ended the fiscal year 17% lower than prior year.
- Utility Users Tax was boosted by scheduled water and electric rate increases, accompanied by a 2.8% growth over the prior year in other utilities such as cable tv and gas.
- The FY 2019/20 General Fund Transfer is based on FY 2018/19 audited revenues; mild weather and reduced electric and water consumption in FY 2018/19 contributed to a decline in revenues as compared to FY 2017/18.

Expenditures

The total General Fund expenditure budget in FY 2019/20 totaled approximately \$300.5 million, comprised of a \$280.4 million amended budget; \$7.8 million carried over from prior years; \$0.9 million in supplemental appropriations (Attachment 1); \$11.6 million in supplemental transfers to other funds (Attachment 1); and other minor budget adjustments.

General Fund operating expenditures are \$16.3 million less than the adjusted budget; approximately \$1.3 million of unexpended funds will be requested to be carried forward to FY 2020/21 (Attachment 2).

GENERAL FUND EXPENDITURES					
Expenditure Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Personnel	\$233,779,010	\$236,587,910	\$222,978,864	\$(13,609,046)	-5.8%
Non-Personnel	51,972,648	55,927,588	50,147,626	(5,779,961)	-10.3%
Special Programs	6,935,549	7,550,149	6,494,785	(1,055,363)	-14.0%
Minor Capital	587,746	1,996,559	1,413,344	(583,215)	-29.2%
Debt Service	21,569,111	21,569,111	21,569,110	(1)	0.0%
Charges to/from Others	(44,624,191)	(45,320,095)	(43,539,455)	1,780,639	-3.9%
Transfers Out	10,152,554	22,193,404	25,141,592	2,948,188	13.3%
Total Expenditures	\$280,372,427	\$300,504,626	\$284,205,867	\$(16,298,759)	-5.4%

The expenditure variance of budget to actual includes:

- Personnel: The amended personnel budget represents approximately 83% of the General Fund budget. In March 2020, all recruitment efforts for vacant positions were suspended in response to the pandemic. As a result of this action and the City Manager’s ongoing Managed Hiring initiative, actual personnel costs for FY 2019/20 are 78% of total General Fund spending, with a total savings of \$13.6 million.
- Non-Personnel, Special Programs, and Minor Capital: In March 2020, in response to the pandemic, all City spending was restricted to essential and emergency needs. Additional savings occurred with the minimum staffing order and necessary service reductions, such as construction and maintenance materials; motor pool equipment rental; recreational program supplies; utilities; general office expense; and employee training. In total, spending in these three categories is \$7.4 million under budget. Approximately \$107,000 of capital and grant funding has been carried over; Council approval will be requested to carry over an additional \$1.3 million (Attachment 2).
- Charges to/from Others represents amounts charged to the General Fund for services rendered by other departments (e.g. 311 Call Center services provided by Riverside Public Utilities to General Fund departments), and vice versa (e.g. qualifying personnel services and materials charged to capital projects that are managed in other funds, such as the Gas Tax Fund). As a result of the pandemic, capital activity did not occur at the pace anticipated resulting in \$1.8 million less charges out to other funds than budgeted.
- Transfers Out are \$2.9 million higher than budgeted.
 - General Fund Restructuring accounts for approximately \$1 million in unbudgeted transfers, with funds moved to the Grants and Restricted Programs Fund and the Capital Projects Fund.
 - Convention Center Fund Subsidy: As a direct result of the pandemic and the resulting temporary cessation of operations, the subsidy to the Convention Center, Riverside Visitor’s Bureau, and Sports Commission exceeded budget by \$1.3 million.
 - Entertainment Fund Subsidy: As a direct result of the pandemic and the resulting

temporary cessation of operations, the subsidy to the Fox, Box, and Municipal Auditorium exceeded budget by \$1.1 million.

Fund Balance and Reserves

General Fund reserves are calculated as a percentage of the following year’s adopted budget. The FY 2020/21 emergency budget adopted by City Council on June 16, 2020 is \$271,400,277. Through a series of balancing measures intended to offset the impacts of the pandemic and reduce the unfunded pension liability, the adopted emergency budget is approximately \$9 million less than the amended FY 2019/20 budget, and therefore requires \$1.8 million less in reserves than that required in FY 2018/19 to achieve the 20% reserve target.

GENERAL FUND BALANCE AND RESERVES YEAR-END PROJECTION	
Beginning Fund Balance (Audited)	\$76,533,191
FY 2019/20 Activity:	
Revenues	\$279,452,623
Expenditures	(280,476,459)
Encumbrances	(3,729,408)
Capital Project & Grant Carryovers	(107,477)
Increase in Other Required Reserves	(542,252)
Projected Change in Fund Balance	\$(5,402,973)
Projected Ending Fund Balance	\$71,130,218
Fund Balance Reserves:	
Policy Reserve Requirement (15%)	\$(40,710,000)
Target Reserve (5%)	(13,570,000)
Total Reserves	\$(54,280,000)
Available Fund Balance	\$16,850,218
Requested Carryovers:	
Discretionary	\$(499,627)
Restricted Funds	(763,779)
Total Carryovers	\$(1,263,406)
Projected Surplus Reserves	\$15,586,812

Approximately \$1.3 million of unexpended funds is requested for carryover into fiscal year 2020/21, including approximately \$500,000 in discretionary funds and \$764,000 in restricted funds. Refer to Attachment 2 for details.

The General Fund Reserve policy adopted by City Council on September 6, 2016 states: “If at any time the Surplus Reserves exceed 10% of the General Fund expenditure budget during a fiscal year (for a total of a 25% General Fund Reserve balance), staff must present a plan to the City Council with options for appropriate uses for the excess funds to bring the General Fund Reserve balance to the 25% level or below.” The \$15.6 million in surplus reserves results in a reserve level of 25.7%. Reducing total reserves to the required 25% level would require a use of approximately \$2,017,000 in surplus reserves.

The BEC's recommendations for the allocation of the surplus reserves of \$15.6 million will be forwarded to the City Council for consideration. Balancing measures included the adopted FY 2020/21 emergency budget and in the baseline budget for FY 2021/22 (received by the BEC on December 17, 2020) are listed in Attachment 3 for reference. Additionally, the City is currently addressing a legal challenge to the General Fund Transfer from the Electric Fund. The Electric General Fund Transfer at risk for loss represents between 6.7% and 11.4% of total FY 2019/20 revenues. Any surplus funds generated in the year should be given consideration for restriction within fund balance for any current or pending litigation and established as a legal contingency fund.

MEASURE Z

The FY 2018-2023 Measure Z Spending Plan was approved by the City Council on June 12, 2018, with the adoption of the FY 2018-2020 Two-Year Budget. During FY 2019/20, three new spending items were approved by City Council since budget adoption and added to the Measure Z spending plan:

- Homeless Temporary Housing: On December 17, 2019, the City Council adopted a resolution declaring the establishment of emergency housing at public facilities to be of urgent necessity for the preservation of life, health, and property and allocated one-time Measure Z funding totaling \$2,364,000 for temporary housing solutions. There are no ongoing operational costs. This funding was ultimately reimbursed through the use of a state grant; as such the Measure Z allocation was not needed.
- Orangecrest Fire Station Dormitory Improvements: On March 3, 2020, the City Council approved one-time funding in the amount of \$100,000 to renovate the Orangecrest fire station to accommodate firefighters of all genders.
- Library Security Guards: Due to the increase in incidents reported at City libraries and risk to the safety of the public and Library staff, on March 17, 2020, the City Council approved \$951,377 of funding for FY 2019/20 through FY 2021/22 for increased security at City libraries through FY 2021/22. There are no ongoing costs beyond the approved time period, although the security issues may become an unfunded need if Measure Z funding is discontinued after FY 2021/22.

Measure Z funds some spending items through debt; payment of debt obligations are provided for in the Measure Z Spending Plan, while the use of debt proceeds is tracked separately. The following analysis does not include the use of debt proceeds or related carryovers because they do not impact Measure Z unallocated fund reserves.

Measure Z is expected to end the fiscal year with an unallocated fund balance of \$22.7 million due to revenues performing better than expected and some expenditure savings. Measure Z spending is inconsistent due to the nature of the items funded; \$30.4 million in open purchase orders and carryover funding is expected to be spent in future years as the various projects and spending initiatives pick up pace. Within the spending plan, capital project carryovers of \$13.1 million have been recorded; the remaining \$14.3 million in non-capital carryovers will be presented to Council for approval. An additional \$2.7 million of capital lease proceeds for fire vehicles will also be requested for carryover; this amount is outside of the spending plan because the spending

plan pays the debt obligations.

Refer to Attachment 4 for a detailed schedule of Measure Z activity since inception.

MEASURE Z ACTIVITY AND PROJECTED FUND BALANCE				
Activity	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals
Revenue	\$12,606,428	\$56,237,202	\$62,816,127	\$63,135,477
Expenditures	(9,973,447)	(36,134,811)	(40,988,149)	(49,603,436)
Encumbrances and Carryovers				(30,429,440)
Net Change in Fund Balance	\$2,632,981	\$20,102,391	\$21,827,978	\$(16,897,399)
Beginning Unallocated Fund Balance	\$-	\$2,632,981	\$22,735,372	\$39,563,350
Net Change in Fund Balance	2,632,981	20,102,391	21,827,978	(16,897,399)
Fund Balance Reserve Policy	-	-	(5,000,000)	
Ending Unallocated Fund Balance	\$2,632,981	\$22,735,372	\$39,563,350	\$22,665,951

The Measure Z Reserve Policy adopted by City Council on April 2, 2019 requires a minimum \$5 million contingency reserve level to provide for a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget cuts without the time for proper evaluation. This amount was permanently set aside from unallocated reserves in FY 2018/19, as show in the preceding table. The policy also states that if the \$5 million minimum reserve requirement is projected to be met in each fiscal year for the duration of the Measure Z tax (FY 2035/36), City staff shall present a plan to the City Council to allocate surplus reserves to new spending initiatives. Since only five years of the spending plan are approved at a time and are subject to change with the adoption of each budget, the only spending items that could cause the reserves to fall below the required \$5 million are debt obligations. At this time, the debt obligations funded by Measure Z are minimal, with FY 2019/20 debt payments accounting for 13.3% of FY 2019/20 revenue received.

In December 17, 2020, the BEC received a baseline budget report for FY 2020/21. The report included staff’s recommendation to allocate an additional \$6 million in Measure Z funding to the General Fund to help offset the potential impacts of the pandemic on General Fund revenues, for a total FY 2020/21 contribution of \$24.3 million. Staff anticipates that the BEC will continue to review the Measure Z spending plan and spending priorities during the FY 2020/21 budget development cycle and provide recommendations to staff and Council for the allocation of the \$22.7 million in surplus reserves and potential reallocation of current spending items.

SEWER FUND

The overall financial position of the Sewer Enterprise fund is healthy, and the fund is operating in accordance with the 2016 Sewer Fund Reserve Policy objectives. The pandemic had a minor impact on the fund, resulting in lower commercial revenues and some expenditure savings. Overall, the fund is expected to end the fiscal year with a net gain of approximately \$7.8 million, about \$3.6 million better than projected.

On July 21, 2020, the Public Works Department presented the 2019 Integrated Master Plan for Wastewater Collection and Treatment Facilities and Environmental Review (Plan) to the City

Council. The Plan recommended capital improvements totaling nearly \$500 million over the next 20 years to ensure regulatory compliance, the repair and/or replacement of aging infrastructure, continued reliable and cost effective wastewater service, and the City’s General Plan is supported for planned growth of the community. The 2019 Wastewater Master Plan’s financial plan and sewer rate plan have been delayed due to the pandemic and are anticipated to be completed in December 2021. These aspects of the plan will include a 5-year sewer service rate plan and alternatives to fund the proposed capital projects.

The following analysis focuses on operations and does not include FY 2019/20 capital project expenditures and encumbrances of approximately \$15 million and carryovers of unexpended funds of approximately \$16 million.

Revenues

The Sewer Fund’s FY 2019/20 operating revenues are approximately \$1.4 million higher than projected.

SEWER FUND REVENUES					
Revenue Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Residential Rate Revenue	\$45,474,574	\$45,474,574	\$45,181,526	\$(293,048)	-0.6%
Commercial Rate Revenue	15,464,786	15,464,786	14,033,493	(1,431,293)	-9.3%
Wastewater Service Contract	3,787,625	3,787,625	4,152,689	365,064	9.6%
Miscellaneous Revenue	3,712,453	3,712,453	6,516,607	2,804,154	75.5%
Total Revenues	\$68,439,438	\$68,439,438	\$69,884,315	\$1,444,877	2.1%

- Commercial Rate Revenue came in lower than expected due to the pandemic and related business closures.
- Miscellaneous Revenues were bolstered by a \$1 million adjustment of investments to market value, as well as interest revenue coming in approximately \$960,000 higher than anticipated.

Expenditures

FY 2019/20 operating expenditures and encumbrances are approximately \$6.1 million less than the adjusted budget. The adjusted budget includes approximately \$4 million in prior year encumbrances carried forward to FY 2019/20.

SEWER FUND EXPENDITURES

Expenditure Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Personnel	\$15,477,047	\$15,477,047	\$14,601,244	\$(875,803)	-5.7%
Non-Personnel	14,574,728	17,207,622	16,005,324	(1,202,298)	-7.0%
Special Programs	2,098,963	2,098,963	1,910,991	(187,972)	-9.0%
Minor Capital & Equipment	1,266,500	2,619,598	1,790,943	(828,655)	-31.6%
Debt Service	27,068,596	27,068,596	23,858,721	(3,209,875)	-11.9%
Charges to/from Others	3,773,438	3,793,649	3,955,312	161,663	4.3%
Total Expenditures	\$64,259,272	\$68,265,475	\$62,122,535	\$(6,142,940)	-9.0%

- Minor Capital and Equipment purchases did not occur as expected due to the pandemic and resulting restriction on city-wide spending to emergency and essential needs.
- Debt Service savings are directly attributable to the issuance of the Series 2018A Refunding Sewer Revenue Bonds; the estimated costs of the debt issuance were budgeted in FY 2019/20 but the actual costs were recorded in FY 2018/19.

REFUSE FUND

The Refuse (Solid Waste) Fund ended FY 2019/20 in a deficit position with a net loss of approximately \$1.7 million. The Public Works Department has endeavored to address the long-term fiscal health of the Refuse Fund, engaging R3 Consulting Group, Inc., (R3) to provide a Solid Waste and Recycling Program Strategy and Economic Study to review City solid waste collection operations, finances, and contract services. Following a number of Council meeting discussions during calendar years 2019 and 2020, on September 15, 2020, the City Council approved the 2020-2025 rate increase for residential and commercial solid waste collection services, effective January 1, 2021. As a result of this action, the Refuse Fund is anticipated to achieve fiscal solvency in future fiscal years.

Revenues

The Refuse Fund's operating revenues are approximately \$83,000 higher than projected.

REFUSE FUND REVENUES

Revenue Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
City Service	\$13,084,122	\$13,084,122	\$13,420,970	\$336,848	2.6%
Contracted Service	4,996,107	4,996,107	5,175,332	179,225	3.6%
Administrative Fees	5,896,596	5,896,596	6,228,324	331,728	5.6%
Street Sweeping Fines	1,250,000	1,250,000	284,039	(965,961)	-77.3%
Miscellaneous Revenue	215,140	215,140	416,140	201,000	93.4%
Total Revenues	\$25,441,965	\$25,441,965	\$25,524,805	\$82,840	0.3%

- Street Sweeping Fines continued to be impacted by a sign replacement project during which fines were not assessed, and by the pandemic, when fees were suspended.

Expenditures

Actual operating expenditures and encumbrances are approximately \$1.5 million less than the adjusted budget. The adjusted budget includes approximately \$946,000 in prior year encumbrances carried forward to FY 2019/20.

REFUSE FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Personnel	\$6,193,369	\$6,193,369	\$5,650,579	\$(542,790)	-8.8%
Non-Personnel	9,282,364	10,217,421	10,006,563	(210,858)	-2.1%
Special Programs	4,758,753	5,280,721	5,232,214	(48,507)	-0.9%
Minor Capital & Equipment	1,477,547	1,911,875	1,213,298	(698,577)	-36.5%
Debt Service	167,402	167,402	183,075	15,673	9.4%
Charges to/from Others	4,935,936	5,001,467	4,967,249	(34,218)	-0.7%
Total Expenditures	\$26,815,371	\$28,772,255	\$27,252,978	\$(1,519,277)	-5.3%

- Minor Capital and Equipment purchases did not occur as expected due to the pandemic and resulting restriction on city-wide spending to emergency and essential needs.

RIVERSIDE PUBLIC UTILITIES (RPU)

For the Electric and Water Funds, capital projects are budgeted on a program basis with many active projects in progress at the same time, ranging from less than \$50,000 in size to multi-million dollars in major projects that require Board of Public Utilities (Board) approval. Major capital projects require several months, and in some cases cross fiscal years or span multiple fiscal years to complete. The total budget will not be fully spent for any given year due to the timing of projects and extenuating circumstances that may cause a project to be delayed. Due to the long-term nature of capital projects and related grant funding, those items are excluded from the following analysis which focuses on operations.

Electric Fund

The overall financial position of the Electric Fund is healthy and fund reserves are compliant with policy objectives. The second year of the electric rate plan became effective on January 1, 2020. The fund is projected to end the fiscal year with a net operating gain of approximately \$10.5 million.

Approximately 48% of the Electric Fund’s total capital budget was spent or committed in FY 2019/20, with \$42 million in expenditures and \$28 million in encumbrances. Ongoing work in significant capital projects to date includes substations and recurring obligation to serve projects.

Revenues

Total operating revenues for the Electric Fund are in line with projections, with 0.8% higher revenues than anticipated. Retail sales and transmission revenue fell short due to lower consumption but were offset by higher than anticipated revenues in other categories.

ELECTRIC FUND REVENUES

Revenue Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Retail Sales	\$321,960,000	\$321,960,000	\$310,714,132	\$(11,245,868)	-3.5%
Transmission Revenue	37,058,719	37,058,719	34,816,959	(2,241,760)	-6.0%
Other Operating Revenue	11,759,619	12,839,619	13,960,057	1,120,438	8.7%
Miscellaneous Revenue	8,996,356	9,030,472	17,227,245	8,196,773	90.8%
Capital Contributions	2,300,000	2,300,000	9,491,557	7,191,557	312.7%
Total Revenues	\$382,074,694	\$383,188,810	\$386,209,949	\$3,021,139	0.8%

- Retail Sales: Total retail sales are 3.5% less than projected due to lower than anticipated consumption. Residential sales are 2.4% higher than budget and consumption is 4.2% higher than projections. Commercial and industrial revenues are 7.1% lower than budget, while actual consumption is 7.4% lower than projections due to the impact of business shutdowns as a result of the pandemic and commercial and industrial revenues and consumption trending lower than projections throughout the fiscal year.
- Transmission Revenue: Transmission revenue fluctuates similar to energy load; revenues are 6.0% less than projected primarily due to reduced usage.
- Miscellaneous Revenue: Interest earnings and the adjustment of investment value to market resulted in revenues approximately \$8 million higher than budget; the market value of investments increased by \$4.6 million. While the adjustment does not produce immediate cash, it is reflected as an increase in asset value, which in turn increases fund balance.
- Capital Contributions are \$7.2 million higher than projections; these are donated land rights and easements for general access to electrical system assets, new electric service charges and required distribution facilities installed by developers.

Expenditures

Operating expenditures and encumbrances are \$44.5 million less than budgeted.

ELECTRIC FUND EXPENDITURES

Expenditure Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Personnel	\$73,147,790	\$73,147,790	\$64,340,146	\$(8,807,644)	-12.0%
Power Supply	221,664,491	218,890,385	204,215,831	(14,674,554)	-6.7%
Operating & Maintenance	22,376,737	41,937,885	28,999,966	(12,937,919)	-30.9%
Debt Service	46,645,101	46,664,050	38,448,332	(8,215,718)	-17.6%
Transfers Out	-	-	163,000	163,000	100.0%
General Fund Transfer	40,200,700	39,557,800	39,557,800	-	0.0%
Total Expenditures	\$404,034,819	\$420,197,910	\$375,725,075	\$(44,472,835)	-10.6%

- Personnel: Savings of \$8.8 million (12% of total personnel budget) are primarily attributable

to staffing turnovers and high vacancy rates. Recruitment for vacant positions was suspended in March through the end of the fiscal year in response to the pandemic and minimum staffing levels.

- Power Supply costs are lower than budget due to lower than anticipated consumption.
- Operating and maintenance costs are 31% of budget, largely due to City-wide spending restrictions imposed in March in response to the pandemic. If approved, requested carryovers of \$5.8 million will reduce the savings in this category to \$7.1 million (17%).
- Debt Service: Savings in debt service are primarily due to the issuance of new debt in 2019 and the related refunding savings.
- Unbudgeted Transfers Out are the result of fiscal year end accounting adjustments to allocate ineligible pension liability costs from the Successor Agency to the Redevelopment Agency to all other City funds on the same basis used for the original debt allocation.

Water Fund

The overall financial position of the Water Fund is healthy and fund reserves are compliant with policy objectives. The second year of the water rate plan became effective in July 1, 2019. The fund is projected to end the fiscal year with a net operating gain of approximately \$4 million.

Approximately 45% of the Water Fund’s total capital budget was spent or committed in FY 2019/20, with \$18.5 million in expenditures and \$2.9 million in encumbrances. Ongoing work in significant capital projects to date includes distribution pipelines and distribution facilities.

Revenues

FY 2019/20 operating revenues in the Water Fund are \$3.5 million lower than projected.

WATER FUND REVENUES					
Revenue Category	Amended Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Retail Sales	\$65,589,000	\$65,589,000	\$62,130,322	\$(3,458,678)	-5.3%
Conveyance & Wholesale	7,298,000	7,298,000	5,130,209	(2,167,791)	-29.7%
Other Operating Revenue	1,790,703	1,790,703	1,883,565	92,862	5.2%
Miscellaneous Revenue	3,983,000	3,983,000	5,156,628	1,173,628	29.5%
Capital Contributions	2,050,000	2,050,000	3,129,358	1,079,358	52.7%
Transfers In	-	-	(259,925)	(259,925)	100.0%
Total Revenues	\$80,710,703	\$80,710,703	\$77,170,157	\$(3,540,546)	-4.4%

- Retail Sales: Retail sales are 5.3% lower than projected due to higher than anticipated precipitation resulting in lower than anticipated consumption. Precipitation through June has exceeded forecasts by 5.3 inches (or 79%) which has resulted in less overall water usage.

- Conveyance and Wholesale revenue is 29.7% lower than projected due to reduced sales and deliveries to Western Municipal Water District (WMWD) due to reduced demand from WMWD and less sales than anticipated to neighboring water utilities.
- Miscellaneous Revenue: Interest earnings and the adjustment of investment value to market resulted revenues in approximately \$1 million higher than budget; the market value of investments increased by \$575,000. While the adjustment does not produce immediate cash, it is reflected as an increase in asset value, which in turn increases fund balance.
- Capital Contributions are \$1.1 million higher than projections; these are donated land rights and easements for general access to water system assets, new water service charges and required distribution facilities installed by developers.
- The unbudgeted Transfer In is the result of fiscal year end accounting adjustment: the recent move of all Water Conservation Fund personnel to the Water Fund required a corresponding move of associated pension liabilities.

Expenditures

Operating expenditures and encumbrances are \$3.9 million less than budgeted.

WATER FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	Over/(Under) Budget	% Variance
Personnel	\$23,840,048	\$23,840,048	\$23,894,027	\$53,979	0.2%
System Operations	24,860,950	27,235,355	25,219,387	(2,015,968)	-7.4%
Debt Service	19,446,914	19,446,914	17,495,264	(1,951,650)	-10.0%
Transfers Out	-	-	59,185	59,185	100.0%
General Fund Transfer	6,693,000.0	6,518,200.0	6,518,200.0	-	0.0%
Total Expenditures	\$74,840,912	\$77,040,517	\$73,186,063	\$(3,854,454)	-5.0%

- System Operations: Savings of \$2 million is largely due to City-wide spending restrictions imposed in March in response to the pandemic. The savings will be partially offset by carryover requests of approximately \$565,000, if approved by Council.
- Debt Service: Savings in debt service are primarily due to the issuance of new debt in 2019 and the related refunding savings.
- Unbudgeted Transfers Out are the result of fiscal year end accounting adjustments to allocate ineligible pension liability costs from the Successor Agency to the Redevelopment Agency to all other City funds on the same basis used for the original debt allocation.

CARRYOVER OF UNEXPENDED FY 2019/20 FUNDS

Unexpended FY 2019/20 funds are available for carryover and spending in FY 2020/21. Restricted funds designated for specific spending purposes are required to be carried over (e.g. such as donated, trust, and intergovernmental funds). Discretionary carryover requests include expenditures approved by City Council during FY 2019/20 where the funds were not encumbered

prior to fiscal year end. Summary of carryover requests recommended for Council approval:

CARRYOVER REQUESTS – ALL CITY FUNDS			
Fund Type	Discretionary	Restricted Purpose	Total
101 - General Fund	\$499,627	\$763,779	\$1,263,406
110 - Measure Z Fund	16,943,253	-	16,943,253
2xx - Special Revenue	759,890	4,112,377	4,872,267
4xx - Capital	1,627,573	579,091	2,206,664
510 - Electric Fund	5,822,179	-	5,822,179
511- Electric Public Benefit Programs	4,719,250	-	4,719,250
520 - Water Fund	565,412	-	565,412
Total Carryover Requests	\$30,937,184	\$5,455,247	\$36,392,431

Refer to Attachment 2 for a detailed listing of carryover requests.

FISCAL IMPACT:

The General Fund ended FY 2019/20 in better condition than projected, with revenues meeting projections, and significant savings due to concerted fiscal restraint in the face of the pandemic. As a result, the City is able to maintain the aspirational 20% General Fund reserve goal and is projected to end the year with \$15.6 million in surplus reserves. Looking forward, the General Fund will continue to be challenged by a structural deficit, potential impacts of the pandemic, and a legal challenge to the General Fund Transfer from the Electric Fund.

Three Enterprise Funds (Sewer, Electric, and Water) are anticipated to end the fiscal year better than expected with net operating gains. Although the Refuse Fund is expected to end the fiscal year with a draw on fund reserves, recent action by the City Council to adopt a new rate plan is anticipated to improve the fiscal health of the fund in future fiscal years.

Prepared by: Kristie Thomas, Budget and Revenue Manager
 Approved as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Moises Lopez, Deputy City Manager

- Attachments:
1. General Fund Supplemental Appropriations
 2. Carryover of Unexpended Funds
 3. FY 2020/21 & 2021/22 Balancing Measures
 4. Measure Z Spending Plan
 5. Presentation