



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS

DATE: SEPTEMBER 12, 2019

FROM: FINANCE DEPARTMENT

WARDS: ALL

SUBJECT: MEASURE Z FIVE YEAR SPENDING PLAN COMMITMENTS AND EXPENDITURES REVIEW IN CONTEXT OF CALPERS CHALLENGE

ISSUE:

Receive and provide input on the Measure Z five-year spending plan commitments and expenditures as well as an overview of the current spending priorities in the context of the CalPERS challenge.

RECOMMENDATION:

That the Budget Engagement Commission receive and provide input on the Measure Z five-year spending plan commitments and expenditures as well as an overview of the current spending priorities in the context of the CalPERS challenge.

BACKGROUND:

During the FY 2016-2018 Budget Process that occurred in February-June 2016, staff presented to the community, City employees, labor unions, and the City Council a listing of the City's critical unfunded operational and capital needs. The operational needs alone (excluding new facilities) totaled more than \$225 million over five (5) years (approximately \$45 million per year). The City's unfunded capital needs, included in the five-year Capital Improvement Plan (CIP) approved by the City Council, were over \$1 billion. In addition to the unfunded needs analysis, the City Council approved approximately \$11 million in annual General Fund reductions to balance the FY 2016-2018 Budget. The reductions affected essential City services to residents and businesses and hampered public safety response times.

To help address the service cuts as well as a portion of the City's critical unfunded needs, at staff's recommendation, the Mayor and the City Council placed Measure Z on the November 8, 2016, ballot. The measure authorized a one-cent increase in the City's sales tax rate and was approved by over 60% of Riverside voters. On April 1, 2017, the City's sales tax rate increased from 7.75% to 8.75%. Measure Z was estimated to generate approximately \$10 million in revenue in Fiscal Year (FY) 2016-17 and over \$50 million annually beginning in FY 2017-18.

On December 20, 2016, the City Council authorized Measure Z revenue and expenditures to be tracked in a separate fund for accountability and transparency, and appropriated funding for the restoration of a Fire Squad, eliminated during the budget. The restored cost of the Fire Squad

was \$450,000 in FY 2016-17 and \$800,000 in FY 2017-18. On February 21, 2017, the City Council approved the appropriation of Measure Z funds for one position in the City Attorney's Office (Deputy City Attorney II) to support the newly established Ward Action Teams.

At a January 31, 2017, City Council Special Meeting, staff presented the Proposed Measure Z Spending Priorities to the City Council for comment and direction. The City Council provided comments and directed staff to work with the Budget Engagement Commission (BEC) to refine the five (5) year spending plan for Measure Z in time for the May 9, 2016 City Council meeting.

The BEC met five (5) times between February 23, 2017 and April 19, 2017 to develop recommendations on Measure Z spending. On May 4, 2017, the BEC finalized their recommendations to the City Council. On May 16, 2017, the City Council adopted the initial Measure Z five-year spending plan.

DISCUSSION:

On August 15, 2019, BEC members requested a review of the Measure Z five-year spending plan for the benefit of new members as well as in the context of the fiscal challenges facing the City.

Attachment 1 is the original approved spending plan ranked in order of priority as approved by City Council on May 16, 2017. Also included for review is the preliminary spending plan ranked by priority as determined by the BEC at its April 19, 2017 meeting (Attachment 2). Additionally, included for comparative purposes in Attachment 3 is a comparison of BEC spending approval amounts by line item versus those approved by City Council.

Since adoption of the initial Measure Z spending plan by City Council, the plan has been updated and amended through various BEC and City Council recommendations and actions. Attachment 4 is the most current spending plan as approved by City Council. Changes, if any, to the spending plan are noted in the far right column of the plan. Notable additions to the spending plan since initial adoption are items # 34-40 as well as changes to debt service projections for line item 23 to actual debt service.

In addition, actual expenses incurred from inception through June 30, 2019 have been included with any unspent but committed funds considered to be carried over for future use on the same line item. Only unspent funds in the non-personnel cost category are assumed to be needed and thus, are carried forward for future use with the exception of certain contingency funds and estimated allocations.

On April 2, 2019, as recommended by the BEC and Finance Committee, City Council adopted a \$5 million contingency reserve policy for the Measure Z fund. The \$5 million reserve is a reduction to available fund balance beginning in fiscal 2018/19. As of June 30, 2019, available fund balance is approximately \$14 million net of carry forward funds and the \$5 million reserve. The net available fund balance represents funds that can be programmed for existing or new projects.

The June 30, 2019, fiscal year-end close is in process and actual expenditure results will not be available until late fall. However, for discussion purposes, actual expenses have been included in Attachment 4 for FY 2018/19 and are estimated for this period.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Approved as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Carlie Myers, Deputy City Manager

Attachments:

1. Adopted Spending Plan May 16, 2017
2. Preliminary Ranking by BEC April 19, 2017
3. BEC Recommendations Vs. Adopted Plan
4. Current Spending Plan