



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 23, 2015**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: ADOPTION OF THE FISCAL YEAR 2015/16 ANNUAL BUDGET AND RELATED ACTIONS

ISSUES:

The issues for City Council consideration are to: 1) adopt a resolution approving the City's Annual Budget for Fiscal Year 2015/16 and authorizing related actions; 2) receive the City's active funds listing per Riverside Municipal Code Section 3.36.010; 3) adopt a Resolution to amend the Master Fringe Benefits and Salary Plan to reflect changes proposed in the Fiscal Year 2015/16 Annual Budget; 4) approve a change to the amortization of an interfund loan outstanding related to the Riverside Renaissance debt service obligation of the Local Park Impact Fees Fund; and 5) authorize the transfer of bond proceeds for the continued development of the main library design alternatives.

RECOMMENDATIONS:

That the City Council:

1. Adopt a resolution approving the City of Riverside's final Annual Budget for Fiscal Year 2015/16 (Attachment A) totaling \$983,038,637 of which \$256,593,718 comprises the General Fund;
2. Approve the staffing authorizations as set forth in Section E of the Preliminary Annual Budget (Attachment A), subject to classification review by the Human Resources Department;
3. Authorize the City Manager or his designee to execute contracts approved for funding in the approved budget;
4. Receive the attached list of the City's active funds (Attachment B) per Riverside Municipal Code Section 3.36.010;
5. Adopt the attached Resolution (Attachment C) amending the Master Fringe Benefits and Salary Plan;
6. Approve various minor adjustments to the Preliminary Annual Budget as presented in Attachment A, which are detailed in Attachment D;

7. Direct staff to return to the City Council as soon as practicable with a public hearing to consider adoption of increases to various City user fees, following review by applicable community groups and the City Council's Finance Committee;
8. Approve an adjustment to the amortization schedule for one outstanding interfund loan made to the Local Park Impact Fees Fund related to Riverside Renaissance Certificates of Participation debt service to require that interest only be paid as of June 30, 2016, with principal to amortize thereafter over a five-year period beginning in Fiscal Year 2016/17 and with all other terms of the loans remaining the same; and
9. Direct the City Manager to move the Main Library project forward, including the study of alternative locations, enter into an agreement between the City and the Successor Agency to appropriate \$100,000 of unallocated former Redevelopment Agency bond proceeds to an account to be assigned by the Finance Department to be utilized for the continued development of main library design alternatives, and return to the City Council in six months with a status update.

BACKGROUND:

The City's Annual Budget for Fiscal Year 2015/16 has been prepared consistent with the City Council's direction received at previous budget workshops and during the budget Public Hearing held on June 9, 2015. The detailed narrative submitted in conjunction with the Public Hearing outlines the context in which this Budget was crafted, as well as the service levels the general public can expect as a result of the recommended funding plan. This report requests that the City Council adopt a resolution formally approving the Annual Budget. As is the case every year, this resolution will be prepared after the fact, once the individual fund budget totals are known and any comments received from the City Council today are incorporated into the Annual Budget. A draft Resolution is, therefore, not attached to this report. The following sections detail various required actions related to the adoption of the Annual Budget as well as staff's responses to the City Council's questions received during the Public Hearing on June 9th.

Council Questions of June 9th

In response to the various questions posed by the City Council at the June 9th public hearing, staff has compiled the following point-by-point review of these questions, including a cost analysis, as applicable, and recommendations. With the exception of the Main Library, staff is not recommending any funding increases. The budget as presented is balanced and any increased funding requires a corresponding decrease in another line item, or a new funding source.

1. Councilmember Gardner

- a. Funding for street tree trimming – Councilmember Gardner commented that the budget for street tree trimming included in the Public Works Department had decreased. This is true when viewing only the line item where the tree trimming contract costs are budgeted. However, a portion of this contract associated with the trimming of trees for electric line clearance is charged to the Public Utilities Department. The reduction in the contract line item was offset by adjustments to the charges to the Electric Fund contained in the same section of the Public Works Department's budget. These changes were requested because historically the funding included in the budget for the line clearance portion of the contract has considerably exceeded the amount needed for line clearance. The adjustments made synchronize the amounts budgeted with the anticipated amount required and have no net impact on the General Fund budget. The same amount of resources expended for street tree trimming in the prior fiscal year by all City funds is

maintained in the proposed budget for Fiscal Year 2015/16.

- b. Funding for the Main Library Project – Councilmember Gardner requested that additional funding be allocated to the Main Library project in order to continue moving forward the design process, including the study of alternative locations. This priority was expressed by several other Councilmembers as well. Accordingly, a recommendation has been included in this report to allocate \$100,000 of unallocated Successor Agency bond proceeds for this purpose.

2. Councilmember Melendrez

- a. Alternatives for the Relocation of the Eastside Library – Councilmember Melendrez expressed a desire for staff to begin to study alternatives for relocating the Eastside Library once the lease for the current storefront location has concluded. Staff will evaluate alternatives and return to the City Council in the future with recommendations.
- b. Bordwell Park Gymnasium – Councilmember Melendrez requested that staff look at funding options for a possible gymnasium facility at Bordwell Park. Staff believes that it may be possible to allocate Community Development Block Grant (CDBG) funding to this project in future fiscal years and will return to the City Council in the future with recommendations regarding how this project might move forward.
- c. Additional Resources for the Long Night of Arts & Innovation – Councilmember Melendrez suggested that additional resources should be allocated to the Long Night of Arts & Innovation. The proposed budget contains \$12,500 for this event as requested by the Mayor's Office. Additionally, \$25,000 was approved by the City Council as an adjustment to the Fiscal Year 2014/15 budget for the 2015 Long Night, and additional in-kind City resources are being provided to host the 2015 Long Night. As planning for the event continues, the Mayor's Office could request that the City Council allocate additional resources to the event should a need be identified.

3. Councilmember Soubrouse

- a. Street Trees and Libraries – Councilmember Soubrouse stated his priorities are to increase the City's investment in street trees and libraries, and he encouraged residents to Shop Riverside. He did not ask any questions of staff that required a response following the public hearing.

4. Councilmember Davis

- a. Riverside Public Utilities Marketing Expenses and Reserves – Councilmember Davis expressed concern regarding the allocation of RPU funds to certain marketing efforts such as billboards as well as recent citizen comments regarding the size of the Electric and Water Fund reserves. General Manager Balachandran indicated that he intends to bring forward future City Council reports covering both of these topics.
- b. Increases in User Fees – Councilmember Davis expressed concern regarding the proposed increases in user fees. Staff clarified at the budget hearing that business tax fees are not part of the user fee study and no changes to those taxes are proposed. Staff will be returning to the City Council as soon as practicable following outreach to various interested business and community groups and review by the City Council's Finance Committee, of which Councilmember Davis is a member. At that time, it is anticipated

that with community and Committee feedback the reasonableness of the increases will be more easily ascertained.

- c. Additional Officers for Police Department – Councilmember Davis expressed concern that the Police Department could use additional officers. While it is true that additional Police Officers would be beneficial to the Police Department's operations, each additional officer comes at a cost of approximately \$120,000, excluding any related increases in required supervision and future step increases. The budget as recommended does include funding for two additional General Fund-supported police officer positions in an effort to transition funding from the COPS grant to the General Fund for the officers that were funded via the grant during the recession. If the City's revenues continue to improve and if the City is successful in holding down expenses, it will be prudent to look at increasing public safety staffing.
- d. Organizational Location of Special Events Management – Councilmember Davis asked why the management of special events is delegated to the Arts & Cultural Affairs Division of the Museum & Cultural Affairs Department. Events held throughout the City are permitted and managed by the Arts & Cultural Affairs Division, which is charged with managing major City events such as the Festival of Lights, farmers' markets and other activities. Additionally, certain events held in park facilities are managed by the Parks, Recreation, and Community Services Department. This separation of duties has existed since the creation of the Arts & Cultural Affairs Division when it was a component of the former Development Department.
- e. Public Safety Vehicle Replacement Program – Councilmember Davis expressed concern regarding the removal of the funding for this program in the proposed budget. Because the required funding was over \$3 million and other critical needs and required budget increases took priority, this program could not be funded. The program remains a high priority and every effort will be made to provide the appropriate level of funding in the following fiscal year's budget. Additionally, the Councilmember inquired as to the increased maintenance and repair costs associated with the deferral of vehicle replacements. While it is true that these costs are higher as a result of the aging public safety vehicle fleet, these higher maintenance and repair costs are dwarfed by the costs of the replacement program.
- f. Funding for Library Assistant Director – Councilmember Davis echoed comments from several members of the public that the Library Department was in need of an Assistant Director. This position would increase the management staffing of the Library Department at a cost of almost \$200,000. As a result, this request must be evaluated in the context of other requests submitted for funding in the upcoming year's budget. This position was deferred until a future fiscal year.
- g. Council Ward-Specific Funds – Councilmember Davis discussed the need for Councilmembers to have ward-specific resources for the needs of their office rather than comingled funds for the entire City Council. Staff concurs with the need for such a change, and accordingly has allocated \$5,000 to each Council Ward for travel and meetings and \$3,800 for office expenses. These changes are reflected in Attachment D to this report. These funding allocations were made from the existing City Council budget without the need for an increase. Additionally, staff is evaluating the possibility of additional segregation within the City Council's budget for the following fiscal year that would provide a separate budget section for the personnel and non-personnel costs associated with each City Council ward.

- h. Additional Funding for Sister Cities Program – Councilmember Davis requested that additional funding for the Sister Cities Program be considered for inclusion in the proposed budget. The Mayor's Office requested a 25% funding increase for the program from \$20,000 to \$25,000. This funding request was granted.
- i. Carpet for Orange Terrace Community Center – Councilmember Davis indicated that the carpet in the Orange Terrace Community Center was in need of replacement. The Parks, Recreation, and Community Services Department will proceed with evaluating the condition of the Community Center's carpet in consultation with the General Services Department and replace the carpet, if required, from existing facilities funds already budgeted.

5. Councilmember MacArthur

- a. Funding Priorities – Councilmember MacArthur indicated that his funding priorities are parks, libraries, depreciation/deferred maintenance, street trees, Grow Riverside and reserves. He did not ask any questions of staff that required a response following the public hearing.

6. Councilmember Perry

- a. Budget Schedule – Councilmember Perry requested that when the user fee report is brought before the City Council it include information about other scheduled and anticipated fee increases that will impact City residents. He further suggested that it may be prudent to move the budget calendar a bit earlier in the year next fiscal year. Staff concurs with the Councilmember's assessment in both regards and will include contextual fee information when the user fee study is presented, and will formulate a revised budget schedule for the upcoming fiscal year's budget process.

7. Councilmember Adams

- a. Councilmember Adams was not present for the public hearing.

Annual Receipt of the City's Active Funds List

Riverside Municipal Code Section 3.36.010 was amended on August 25, 2009 to eliminate the requirement that the City Council approve the addition or deletion of a fund from the City treasury. Because funds are routinely added or deleted as accounting needs arise, it was deemed more appropriate to annually disclose the funds in the City treasury through the budget process. Because the Annual Budget document does not include those funds that do not currently require appropriations, the attached list (Attachment B) of all currently active funds is being provided, indicating any new funds added or existing funds inactivated during Fiscal Year 2014/15.

Requested Reclassifications Related to the Proposed Annual Budget

Consistent with the City's Reclassification Policy, the Human Resources Department conducted surveys and/or obtained survey data during the budget process related to various proposed reclassifications. The following recommendations are presented for consideration:

- 1. Staff proposes to modify the Police Records Specialist classification series (I, II, and III) to a two-tiered classification structure: Police Records Specialist and Senior Police Records Specialist. Incumbents in level I will have their titles changed to the new Police Records Specialist classification and incumbents in levels II and III will be merged into the new Senior Police Records Specialist classification.

2. Staff proposes to add a new classification of Utilities Substation Test Supervisor. This new supervisor within the Public Utilities Meter Shop will monitor the crew's performance. This new position will also provide the necessary expertise to guide and mentor staff to ensure that proper testing mechanisms are in place when reviewing electric installations in substations. Additionally, the supervisor will also make sure that the department is in compliance with related procedures for new installations and follows the schedule for ongoing maintenance of existing substations.
3. Staff proposes to add a new classification of Utilities Dispatch Superintendent. The current Utilities Dispatch Supervisor has been delegated new tasks, which include implementation of goals and objectives, supervision and scheduling of work crews, project participation, and safety program participation. These additional duties support a reclassification.
4. Staff proposes to add a new classification of Urban Forester Manager. The Urban Forestry function moved from the Parks, Recreation, and Community Services Department to the Public Works Department several years ago. The position of Urban Forester was specific to maintenance of trees and the tree trimming cycle. The scope of this position's job duties has increased to include all public right-of-way landscaping, which includes 150,000 trees, 25,000 utility line trees, and 500 acres of landscaped medians. The manager position will be responsible for supervision of staff, contractors, and after hours and weekend response.

Requested Interfund Loan Amortization Change

Staff also requests City Council authorization to adjust the amortization of one interfund loan owed by the Local Park Impact Fees Fund (the Fund). Approximately 41% of the debt service associated with the Riverside Renaissance Certificates of Participation issued in 2008 is the responsibility of the Fund. When the Certificates were issued, a number of park and community center facilities that would not have been completed for a number of years were constructed on an accelerated basis through the issuance of debt. The original intent was that impact fee revenues would service this debt, but the economic downturn has prevented this from occurring. In order to facilitate the servicing of the debt during the economic downturn and to avoid further cuts to General Fund programs, the Fund took out two interfund loans (loans number 73 and 79) with adoption of the Fiscal Year 2010/11 and 2011/12 budgets so that it could make the required payments in lieu of the General Fund stepping in. The terms of these loans required that they be repaid within five years.

Staff recommends an adjustment to the amortization schedule for loan 73 to require that interest only be paid as of June 30, 2016, with principal to amortize thereafter over a five year period beginning in Fiscal Year 2016/17 and with all other terms of the loan remaining the same. This will allow the Fund to make payments on the Certificates of Participation at the conclusion of Fiscal Year 2015/16 using resources that would otherwise be directed toward principal payments on these interfund loans. This will prevent additional cuts to the General Fund budget in the upcoming fiscal year. Interest on the loan will continue to be paid and the loan balance will not increase as a result of the requested action. The second related loan (loan 79), for which interest had also previously been deferred, will begin amortizing this fiscal year and will be repaid in five years.

Steps to Move Forward the User Fee Study

Included within the proposed General Fund budget is \$2.3 million of additional revenues related to proposed increases to the City's user fees. These fees were last updated over four years ago in early 2011. As a result, the fees have not kept pace with the increasing costs associated with

providing fee-supported services. The General Fund has filled the gap with general purpose tax revenues, meaning that the City's residents are supporting development activity rather than developers paying for the cost of the services provided. Absent an increase in fees, the cost recovery levels will continue to decline.

Staff proposed in its cover letter that accompanied the proposed Annual Budget, dated June 9, 2015, that the date of the public hearing for approval of the user fee study be set for the July 28th City Council meeting. However, because the City Council asked for information regarding how the proposed fee increases would impact Riverside's competitiveness in the development marketplace, staff will now undertake a survey of equivalent fees in comparable jurisdictions. Accordingly, staff recommends that no date certain be set for the public hearing. Staff will return to the City Council as soon as practicable with the results of this survey and the public hearing regarding the user fee study.

Moving Forward the Main Library Project

Lastly, staff is recommending that the Main Library project continue to move forward, including the study of alternative locations. Authorization is therefore requested to initiate the process to appropriate \$100,000 of former Redevelopment Agency bond proceeds to a new account from which continued expenses will be paid associated with the development of the Main Library design alternatives. These funds are currently unallocated, and the redevelopment dissolution law allows the funds to be expended for certain eligible uses, of which this is one. In order for the funds to be used for this purpose, staff will need to bring forward a separate Successor Agency action and request approval from the Oversight Board. These actions will be accomplished in the coming weeks and staff will return to the City Council with a status update and definitive proposal on the Main Library project in six months.

FISCAL IMPACT:

There is no direct fiscal impact associated with adoption of the Annual Budget and the related actions. To the extent that revenues exceed expenditures or expenditures exceed revenues, changes in the fund balances of individual funds will result. These changes have been analyzed and at this time no adverse impacts on the City's funds are anticipated as a result of the proposed budget as submitted.

Prepared by: Scott Catlett, Assistant Finance Director
for Brent A. Mason, Finance Director/Treasurer

Certified as to
availability of funds: Brent A. Mason, Finance Director/Treasurer

Approved by: Deanna Lorson, Assistant City Manager
for John A. Russo, City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachments:

- A. Preliminary Annual Budget for Fiscal Year 2015/16
- B. Listing of Funds in the City Treasury
- C. Resolution Amending the Master Fringe Benefits and Salary Plan
- D. Adjustments to be Made to the Preliminary Fiscal Year 2015/16 Annual Budget
- E. PowerPoint Presentation