



*City of Arts & Innovation*

# City Council Memorandum

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**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: JUNE 27, 2023**

**FROM: FINANCE DEPARTMENT      WARDS: ALL**

**SUBJECT: PUBLIC HEARING; RESOLUTION - PROPOSED AMENDMENT OF FISCAL YEAR 2023/24 OF THE PREVIOUSLY ADOPTED FISCAL YEAR 2022-2024 BIENNIAL BUDGET; DELEGATION OF INVESTMENT AUTHORITY**

**ISSUE:**

Conduct a public hearing for the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget; adopt a resolution approving the proposed amended annual budget for Fiscal Year 2023/24 totaling \$1,383,114,310; and delegate investment authority to the Chief Financial Officer/City Treasurer for a period of one year beginning July 1, 2023 and ending June 30, 2024.

**RECOMMENDATIONS:**

That the City Council:

1. Conduct a public hearing on the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget;
2. Direct staff on the addition of seven 0.5 part-time equivalent Council Assistants to the proposed amended budget for the General Fund with a fiscal impact of \$272,272 and authorize related adjustments to the cost allocation plan;
3. Approve the addition of \$175,000 for contracted Spanish interpretation services to the proposed amended budget for the General Fund and authorize related adjustments to the cost allocation plan;
4. Approve the addition to the proposed amended budget of \$250,000 in the General Fund for License Plate Recognition Cameras with no related impact to the cost allocation plan and \$550,000 in the Measure Z Fund for the demolition and securing of 3460 Orange Street;
5. Adopt a resolution approving the proposed amended annual budget for Fiscal Year 2023/24 totaling \$1,383,114,310 Citywide, with the addition of any revisions that the City Council may deem advisable per Section 1102 of the City Charter; and

6. Delegate investment authority to the City's Chief Financial Officer/City Treasurer for a period of one year beginning July 1, 2023 and ending June 30, 2024.

### **LEGISLATIVE HISTORY:**

Several City Charter sections provide the procedural requirements for adoption of the budget by the City Council:

- **Article IV, Section 601(a-c)** requires the City Manager to keep the City Council advised of the financial condition of the City and annually prepare the City's budget and capital improvement plan (CIP) for review and adoption by the City Council.
- **Article VIII, Sec. 806(c):** Planning Commission; Make recommendations concerning proposed infrastructure improvements and redevelopment activities in support of planned land uses.
- **Article VIII, Section 808(c)** requires the Board of Library Trustees to consider the annual budget for library purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- **Article VIII, Section 809(b)** requires the Park and Recreation Commission to consider the annual budget for parks, recreation, parkways and street tree purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- **Article XI, Section 1101** requires that the City Manager shall provide the City Council with a proposed budget at least thirty-five calendar days prior to the beginning of each fiscal year. After review, the City Council shall determine the time for the holding of a public hearing for the budget adoption; the public notice of the budget hearing published no less than twenty days prior to said hearing. Additionally, copies of the proposed budget shall be available for inspection by the public in the office of the City Clerk and on the City's website at least twenty days prior to the public hearing.
- **Article XI, Section 1102 and 1103** requires the City Council to hold the public hearing for the proposed budget adoption, seek public input, and make any revisions to the budget it deems necessary. The City Council may adopt the budget after the public hearing or postpone the date of adoption no later than July 1<sup>st</sup>.
- **Article XII, Section 1202(a)** requires the Board of Public Utilities to consider the annual budget for the Department of Public Utilities during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.

Additionally, the City Council's Envision Riverside 2025 Strategic Plan includes the following cross-cutting thread: **Fiscal Responsibility** – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.

## **BACKGROUND:**

On June 21, 2022, the City Council adopted Resolution No. 23866 approving the Fiscal Year (FY) 2022-2024 Biennial Budget and FY 2022-2027 Capital Improvement Plan (CIP). Since budget adoption, the City Council has approved actions with fiscal impact that need to be incorporated into the FY 2023/24 budget. Additionally, City departments perform quarterly analysis of financial performance during the fiscal year and identify financial and operational needs that are not accommodated by the current adopted budget.

On May 16, 2023, the City Council received the proposed amendments to the FY 2023/24 annual budget with no recommended changes and set a public hearing for the adoption of the budget for June 27, 2023.

On June 13, 2023, the City Council approved a Memorandum of Understanding (MOU) for the Fire Management Group effective January 1, 2023, through December 31, 2025. The fiscal impact of the recommended MOU has been incorporated into the proposed amended budget.

## **DISCUSSION:**

An update to the second year of an adopted biennial budget is necessary to ensure the City is proactive and responsive to financial and operational changes. Because the City is on a biennial budget, amendments to the second fiscal year are typically minor, and focus on the following:

- Reviewing and adjusting forecasts of major revenue sources.
- Incorporating the financial impact of City Council actions taken during the fiscal year, including the impacts of new employee Memorandums of Understanding.
- Addressing new and significant changes in the operating needs of City departments, including rising costs in certain sectors (utilities, fuel, chemicals).
- Reviewing and re-prioritizing capital project funding.

In the General Fund and Measure Z, this budget update is more proactive than prior years given positive financial performance allowing the City to leverage these positive financial results to address numerous City priorities and initiatives. Revenue projections for the 2022-2024 Biennial Budget were based on revenue performance as of early Spring 2022. Subsequently, 2021/22 fiscal year end results presented significant growth in sales tax revenue over the prior year, with a 33% increase in both the General Fund and Measure Z revenues since FY 2018/19. The City's sales tax consultant, HdL, projects 0% growth in FY 2023/24 while the Federal Reserve expects a mild recession beginning in the latter part of calendar year 2023. However, the growth during the pandemic provided a one-time increase in base sales tax and reset of revenue expectations going forward that can be allocated toward City priorities and initiatives.

Adjustments in other City funds reflect the impact of approved Memorandums of Understanding (MOU) with the City's labor groups and adjustments related to rising costs.

## **Budget Overview – Citywide**

The adopted FY 2023/24 Budget totals approximately \$1.32 billion, including the City's operating budget and planned capital projects. Across all City funds, proposed budget adjustments include

revenue increases of approximately \$62.06 million and supplemental appropriations of approximately \$64.98 million. With the recommended adjustments, the Proposed FY 2023/24 Amended Budget (Attachment 3) across all City funds will total \$1.38 billion in appropriations. The proposed budget adjustments are detailed in Attachment 4.

**General Fund**

Proposed FY 2023/24 budget amendments in the General Fund include those approved by Council during the 2021/22 fiscal year, adjustments to address rising costs, and new spending recommendations. With the increase in the sales tax revenue base, departments were encouraged to submit proposals to address neglected operational needs and further the City’s strategic priorities. Additional appropriations of \$15.64 million are recommended, almost fully offset by an increase in revenue projections. The resulting \$6.75 million surplus is recommended to be preserved to buffer against the potential impacts of an expected recession and other potentially unknown fiscal impacts; if unused, \$5 million is recommended to be allocated to the Infrastructure & Technology Reserves to ensure adequate funding for the future maintenance and/or replacement of assets. The remaining balance will be required to meet the 20% policy reserve requirement at fiscal year-end.

Summary of FY 2023/24 Proposed Adjustments				
Category	Adopted Budget	Proposed Adjustments	Amended Budget	% Amended
Revenues and Other Resources	\$ 318,229,147	\$ 15,267,116	\$ 333,496,263	4.8%
Expenditures and Transfers Out	311,113,181	15,636,070	326,749,251	5.0%
<b>Surplus/(Deficit)</b>	<b>\$ 7,115,966</b>	<b>\$ (368,954)</b>	<b>\$ 6,747,012</b>	
Contribution to Infrastructure & Technology Reserve			5,000,000	
<b>Remaining Balance</b>			<b>\$ 1,747,012</b>	

**Revenue:**

A 4.8% increase in FY 2023/24 revenues is projected as compared to the previously adopted budget, primarily due to strong performance in property and sales tax revenue and the projected recovery of various revenue sources that declined during the pandemic.

### Summary of FY 2023/24 Proposed Revenue Adjustments

Category	Adopted Budget	Proposed Adjustments	Amended Budget	% Amended
Property Taxes	\$ 79,895,400	\$ 4,536,046	\$ 84,431,446	5.7%
Sales and Use Tax	85,914,880	8,121,316	94,036,196	9.5%
Utility Users Tax	33,522,261	-	33,522,261	0.0%
Transient Occupancy Tax	7,317,100	1,265,000	8,582,100	17.3%
Franchise Fees	5,843,700	-	5,843,700	0.0%
Licenses and Non-Developer Permits	9,166,455	862,400	10,028,855	9.4%
Intergovernmental Revenues	1,708,525	-	1,708,525	0.0%
Non-Development Charges for Services	10,769,145	145,000	10,914,145	1.3%
Developer Fees and Charges for Services	6,946,746	425,000	7,371,746	6.1%
Fines and Forfeits	1,921,827	(4,000)	1,917,827	-0.2%
Special Assessments	550,853	-	550,853	0.0%
Miscellaneous Revenues	3,203,929	(83,646)	3,120,283	-2.6%
General Fund Transfer	53,202,300	-	53,202,300	0.0%
Measure Z Transfer In	18,266,026	-	18,266,026	0.0%
<b>Total Revenue &amp; Transfers In</b>	<b>\$ 318,229,147</b>	<b>\$ 15,267,116</b>	<b>\$ 333,496,263</b>	<b>4.8%</b>

- *Property Tax:* Projections are 5.7% higher than adopted based on updated projections from HdL. The projections reflect activity occurring 18-24 months prior to the receipt of revenue. The increase reflects median price increases, likely due to low interest rates, high demand, and limited properties for sale.
- *Sales Tax:* The revised sales tax projection is 9.5% higher than the adopted budget projection. The increase reflects the higher sales tax base produced by significant gains since FY 2018/19, carrying forward those gains into the current year. In FY 2023/24, HdL projects -0.4% reduction in sales tax revenue while the Federal Reserve expects a mild recession beginning in late 2023. This budget update reflects the revised HdL projections.
- *Other Revenues:* The remaining \$2.61 million of revenue increases reflect revenue sources recovering more quickly than anticipated from the pandemic, such as Transient Occupancy Tax and Developer Fees; higher growth than anticipated in Business Tax revenue; and other minor adjustments.

#### Expenditures:

When submitting funding requests, departments were required to answer the following questions:

- How is this a critical unfunded need?
- What is the impact to operations should this budget request not be approved?
- How does this request benefit City stakeholders?


The requests were evaluated and selected for funding (subject to Council approval) according to their alignment with the City’s strategic priorities, the primary principle of Priority Based Budgeting. Staff is confident that the items recommended for funding will further the City’s strategic priorities, improve the quality of life for the City’s residents, and enhance City services for the City’s residents, businesses, and other stakeholders.




## Summary of FY 2023/24 Proposed Expenditure Adjustments





Category	Adopted Budget	Proposed Adjustments	Amended Budget	% Amended
Personnel	\$ 220,287,273	\$ 7,238,605	\$ 227,525,878	3.3%
CalPERS UAL	28,415,464	802,830	29,218,294	2.8%
Non-Personnel	61,463,307	5,516,363	66,979,670	9.0%
Special Projects	7,234,345	2,410,000	9,644,345	33.3%
Minor Capital	416,613	885,000	1,301,613	212.4%
Debt Service	22,716,810	-	22,716,810	0.0%
Charges To/From	(18,357,110)	(527,696)	(18,884,806)	2.9%
Cost Allocation Plan	(22,677,171)	(1,341,072)	(24,018,243)	5.9%
Special Districts Fund Subsidy	1,430,920	2,040	1,432,960	0.1%
Convention Center Fund Subsidy	5,304,990	-	5,304,990	0.0%
Entertainment Fund Subsidy	3,863,700	-	3,863,700	0.0%
Cheech Marin Center Subsidy	1,014,040	-	1,014,040	0.0%
Transfers to Other Funds	-	650,000	650,000	100.0%
<b>Total Expenditures &amp; Transfers Out</b>	<b>\$ 311,113,181</b>	<b>\$ 15,636,070</b>	<b>\$ 326,749,251</b>	<b>5.0%</b>

All budget adjustments are detailed in Attachment 4; the most notable budget adjustments and their alignment with *Envision Riverside 2025* are as follows:

- Personnel:** The adopted personnel budget did not include any projections or assumptions of cost increases potentially resulting from labor negotiations. During FY 2022/23, the City Council approved personnel increases for all employee groups. 

The impact of the approved negotiations has been incorporated into the proposed amended budget alongside a full refresh of position and employee demographics (position reclassifications, employee position assignments, employees' current pay and benefit elections, negotiated increases, etc.). The personnel budget also includes the proposed addition of 41.75 full-time equivalent (FTE) positions, many of which are described in this report, and all of which are described in Attachment 4.
- Attrition Rate:** Based on the current vacancy rate (13%), recruitment and hiring challenges, and resulting fiscal year-end personnel savings during the last two fiscal years, a 5% attrition rate has been programmed into the amended budget, freeing up funds for allocation to City priorities. 

It is important to note that the attrition rate is not a target and has therefore been programmed in a non-departmental account. All positions are fully budgeted within applicable departments, and it is the City's intention to fill all budgeted positions as soon as possible. The programmed attrition rate represents the impact of natural attrition (the timing between an individual's departure and the onboarding of replacement personnel) and recognizes that current hiring challenges are producing personnel savings that could be leveraged to advance the City's strategic priorities. Prior to the pandemic, the City's personnel savings averaged less than 2% annually. Staff does not anticipate the current attrition rate is representative of future budgets and will periodically analyze and assess the attrition rates for changes in future budgets.

- **CalPERS UAL:** In the adopted budget, the CalPERS Unfunded Accrued Liability (UAL) reflected the programmed UAL payments per the CalPERS Actuarial report dated July 2021. Since then, CalPERS investment returns have fluctuated wildly, posting a 22.4% gain for FY 2020/21 followed by a 7.5% loss in FY 2021/22. Investment returns for the current fiscal year through March are 3.3%, as compared to the target discount rate of 6.8% annually. These fluctuations have significantly impacted the City’s annual UAL costs and programmed smoothing of \$37.9 million over twelve years in the adopted budget. Consequently, the CalPERS UAL budget amendment for FY 2023/24 totals \$11.8 million with a projected smoothing of \$45 million over twelve years. The FY 2023/24 proposed adjustment is approximately \$800,000. 
  
- **Community & Economic Development (CEDD), \$2.1M, Add 13.0 FTE:**
  - **Economic Development:** Add 5.0 FTE to advance the Economic Development Division and its mission to meet 2025 Envision Riverside Strategic Plan priorities, including Economic Opportunity and High Performing Government. 
  
  - **Planning:** Add 5.0 FTE to support Citywide development services and increase the expediency, production, and predictability of both the Current and Advanced Planning teams, including case processing and special projects. 
  
  - **Building and Safety:** Add 3.0 FTE to improve development services by increasing the expediency and predictability of building permit processing and plan check services. 

### History of CEDD Staffing


The proposed staffing changes partially restores CEDD to 2007 staffing levels:

CEDD Division	FTE 2007	FTE Today	Proposed
Planning	37	25	30
Building	26	22	25
Economic Development	11	6.5	11.5

### CEDD Current Staffing Compared with Other City CED Departments







Riverside CEDD has fewer staff members compared with other cities:



CEDD	Riverside	Anaheim	Santa Ana	Long Beach
Square Miles	81	51	27	80
Populations	314,998	346,824	310,227	466,742
Economic Development	6.5	10	11	20
Planning	25	30	28	36
Building	22	30	32	82





- **Parks Maintenance & Equipment, \$1.3 million:** During recent years of budget constraints, the maintenance and equipment budgets for the Parks, Recreation, and Community Services Department has been redirected toward utilities, contract costs, operational costs of the Bourns Family Youth Innovation 



Center, and other rising and unavoidable costs. As a result, the maintenance of the City’s parks and wildlands has declined, and along with it, the quality of life for Riverside residents and visitors. The requested allocation will enable Parks staff to adequately maintain the City’s many general use parks, sports park, and over 2,000 acres of undeveloped parkland.

- **Security at Libraries and Community Centers, \$1 million:** This allocation will continue security services previously funded by Measure Z at all library branches and expand security services to community centers. 
- **Expand Library Hours, \$600,000, 8.0 FTE:** Add 16.0 part-time, non-benefitted FTE to allow for the expansion of library hours. All library branches will expand open days to include Sundays, and the Main Library will be open for an additional 2 hours in the evenings. 
- **Citywide Events, \$876,000, 1.0 FTE:** Add 1.0 FTE and \$725,000 in event funding to encourage and expand community engagement, tourism, and economic development within the City. Citywide events support and promote local business growth which will ultimately lead to increased revenue generation in the City. 
- **Fire, \$665,000:** The Fire Department does not currently have a budget that provides for the replacement of firefighter gear and equipment as they near the end of useful life. This request will fund a rotational replacement program of critical safety equipment and firefighter gear and address ongoing maintenance needs. 
- **Public Works, \$500,000, 4.0 FTE:** This request will add funding for median maintenance, traffic control, and storm drain maintenance. Two of the positions are expected to be partially reimbursed by charging time worked on capital projects to the Storm Drain and Measure A fund. 
- **City Clerk, \$0, 1.0 FTE:** Add 1.0 FTE to Passport Service to meet increasing demand. The position is expected to generate approximately \$105,000 in new annual revenue as compared to an approximate position cost of \$73,000. 
- **Internal Support Services. \$1.9M, 14.75 FTE:** As City services have expanded, including increased personnel in community facing departments, new capital projects, new spending initiatives, and mandatory requirements, the staff for internal support departments has not been increased to accommodate the new workloads. This request directly supports the High Performing Government priority and indirectly supports all City priorities by providing adequate support staff for departments serving the community. In addition to these changes, the budget update includes adding one 0.5 FTE part-time Council Assistant per Ward as approved by the City Council on March 7, 2023.

  - **City Manager’s Office, 3.0 FTE:** Additional staffing will ensure that the City government is managed effectively and that initiatives are addressed quickly and efficiently. Adds an Organizational & Performance Audit Manager and staff for the Office of Sustainability. 
  - **City Attorney, 1.0 FTE:** Reorganization replacing 1.0 senior level FTE with 2.0 FTE at a near-breakeven cost. 

- **Human Resources, 4.0 FTE:** Add two staff members to enhance Workforce Development programs; 1.0 FTE to help address hiring and recruitment challenges; and 1.0 FTE to the Benefits team. 
- **General Services, 1.0 FTE:** Add a project manager to assist with deferred maintenance and new major capital projects, including the Police Headquarters, Museum renovation, Eastside Library, and parking garage 8. 
- **Finance, 3.0 FTE:** Create a Compliance and Reporting Division to research, plan, implement, and maintain the many new reporting requirements issued by the Governmental Accounting Standards Board (GASB). 
- **Innovation and Technology, 2.75 FTE:** Reorganization to swap higher-level positions with lower-level positions to provide more resources to address the City's growing technology needs. 

There are additional recommended budget adjustments, including those which address the rising cost of underbudgeted items. All items can be reviewed in detail in Attachment 4.

**General Fund Personnel Summary:**

In total, 41.75 FTE are recommended to be added to the General Fund with this budget update. The addition of 4.50 FTE was approved during FY 2022/23, and 5.25 FTE are transferred from other funds as responsibilities shifted to General Fund matters.

### Summary of Personnel Adjustments and Proposed Additions – General Fund

Department	Adopted Budget	Approved during FY	Transferred	Proposed	Total
01 – Mayor	7.75	-	-	-	7.75
02 - City Council	14.00	3.50	-	-	17.50
11 - City Manager	29.55	-	1.00	3.00	33.55
12 - City Clerk	11.00	-	-	1.00	12.00
13 - City Attorney	34.00	-	-	1.00	35.00
21 - Human Resources	31.00	-	-	4.00	35.00
22 - General Services	30.00	-	-	1.00	31.00
23 – Finance	55.00	-	-	3.00	58.00
24 - Innovation and Technology	59.25	-	-	2.75	62.00
28 - Community & Economic Development	106.50	-	2.00	14.00	122.50
31 – Police	505.00	-	-	-	505.00
35 – Fire	233.00	-	-	-	233.00
41 - Public Works	135.00	-	-	4.00	139.00
51 – Library	60.00	-	-	8.00	68.00
52 - Parks, Recreation, & Community Services	153.85	1.00	2.25	-	157.10
53 - Museum	13.50	-	-	-	13.50
<b>Total</b>	<b>1,478.40</b>	<b>4.50</b>	<b>5.25</b>	<b>41.75</b>	<b>1,529.90</b>

**Measure Z (Funds 110 & 420)**

As with the General Fund, sales tax in the Measure Z fund has exceeded expectations and produced a new baseline for future revenue projections. Measure Z tax revenue has risen by 33.6% since FY 2018/19. The 2022-2024 Biennial Budget accounted for a portion of this increase based on FY 2020/21 actuals and FY 2021/22 revenue trends at the time of budget development. In doing so, Council was able to approve an additional \$100 million in spending in the Measure Z fund through FY 2026/27, increasing allocations to current spending items, and adding new spending initiatives as shown in the following table. The allocations resulted in projected ending unallocated reserves of \$6.31 million by the end of FY 2026/27.

**MEASURE Z – NEW ALLOCATIONS IN ORIGINALLY ADOPTED BUDGET**





<b>Spending Item</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>FY 2024/25</b>	<b>FY 2025/26</b>	<b>FY 2026/27</b>	<b>Total</b>
#25 - RPD Headquarters (Increase)	\$ -	\$ 1,237,977	\$ 1,282,282	\$ 1,318,087	\$ 1,345,392	\$ 5,183,738
#28 - Annual Deferred Maintenance	500,000	500,000	500,000	500,000	500,000	2,500,000
#29 - Maximize Roads/Streets	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	40,000,000
#30 - Tree Trimming	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	12,500,000
#39 - Public Safety & Engagement Team Program (PSET) – Urban	412,269	1,834,571	1,681,847	1,922,940	2,194,920	8,046,547
#48 - Office of Homeless Solutions Expansion	157,307	162,479	168,518	174,961	181,727	844,992
#49 - PSET – Wildlands	5,859,685	4,633,429	4,750,315	4,853,583	4,865,277	24,962,289
#50 - Public Safety Enterprise Communication System Radios	343,438	343,438	343,438	343,438	-	1,373,752
#51 - Office of Sustainability	391,293	398,636	418,127	423,994	430,050	2,062,100
#52 - Sidewalk Repair	600,000	600,000	600,000	600,000	600,000	3,000,000
<b>Total New Allocations</b>	<b>\$ 18,763,992</b>	<b>\$ 20,210,530</b>	<b>\$ 20,244,527</b>	<b>\$ 20,637,003</b>	<b>\$ 20,617,366</b>	<b>\$ 100,473,418</b>

Subsequent to budget adoption, FY 2021/22 ended with revenues exceeding expectations by \$8.81 million, adding to a new baseline for future sales tax projections. As a result, this budget update increases FY 2023/24 revenue projections by \$5.44 million as compared to the adopted budget, and \$31.97 million through FY 2026/27. This is expected to be the final major “reset” of revenue projections based on the one-time growth produced by the Covid-19 pandemic and inflationary factors. HdL projects flat revenue growth (0%) in FY 2023/24 as compared to FY 2022/23 and gradual recovery beginning in FY 2024/25; the Federal Reserve expects a mild recession beginning in late 2023. The revised projections in this budget update reflect this anticipated flattening and gradual recovery. The Measure Z fund will continue to be closely monitored to ensure that the ongoing rising costs funded by Measure Z (primarily personnel) are sustainable.


Amendments reflected in the Measure Z Spending Plan (Attachment 3) include those approved by the City Council since budget adoption and those currently pending Council consideration. In addition to those items, staff is submitting three spending allocations for Council consideration with alignment to City priorities indicated. The Measure Z Spending Plan has been extended to FY 2027/28. With the inclusion of all items listed, unallocated reserves are projected to be \$8.61 million by fiscal year ending 2027/28. Measure Z policy reserves of \$5 million are maintained separately of the spending plan.

MEASURE Z SPENDING PLAN						
	Projected	Proposed				
(in millions)	2023	2024	2025	2026	2027	2028
Revenue	\$84.43	\$84.46	\$86.69	\$88.41	\$90.18	\$91.97
Expenditures (Includes items under discussion)	(96.51)	(96.25)	(92.54)	(96.82)	(99.15)	(95.22)
<b>Net Change in Fund Balance</b>	<b>\$(12.08)</b>	<b>\$(11.79)</b>	<b>\$(5.85)</b>	<b>\$(8.41)</b>	<b>\$(8.97)</b>	<b>\$(3.25)</b>
Beginning Unallocated Fund Reserves	\$58.96	\$46.88	\$35.09	\$29.24	\$20.83	\$11.86
Net Change in Fund Balance	(12.08)	(11.79)	(5.85)	(8.41)	(8.97)	(3.25)
<b>Ending Unallocated Fund Reserves</b>	<b>\$46.88</b>	<b>\$35.09</b>	<b>\$29.24</b>	<b>\$20.83</b>	<b>\$11.86</b>	<b>\$8.61</b>

**Measure Z Spending Plan Updates:**

- Personnel:** The adopted personnel budget did not include any projections or assumptions of cost increases potentially resulting from labor negotiations. During FY 2022/23, the City Council approved personnel increases for all employee groups except for the Riverside Fire Management Group, with whom negotiations are currently ongoing. The impact of the approved negotiations has been incorporated into the proposed amended budget alongside a full refresh of position and employee demographics (position reclassifications, employee position assignments, employees’ current pay and benefit elections, negotiated increases, etc.). The personnel budget also includes a 9.0 FTE decrease in the Public Safety & Engagement Team (PSET) – Urban for the Parks, Recreation, and Community Services Department, as that division has fulfilled the PSET goals established for their team with filled positions transferred to the General Fund. 
- Spending Item #24 – SPC Jesus S. Duran Eastside Library, \$2,000,000:** Staff proposes a \$2 million allocation of Measure Z funding for architectural and design studies for the Eastside Library to get the project “shovel-ready”. Bringing a project to this stage significantly improves the City’s chances of gaining grant funding for the construction phase of the project. 
- Spending Item #26 – Museum Renovation:** On October 4, 2022, the City Council approved an increase in the total project costs to \$35,000,000. The Measure Z Spending Plan has been updated with new debt service estimates.
- Spending Item #33 – Technology Improvements, \$500,000:** An annual increase in the technology allocation will enable a rotational replacement of security cameras throughout the City (approximately \$275,000 to replace 80 cameras per year), the one-time establishment of laptop inventory (\$140,000), and residual funding for unbudgeted critical technology needs. 
- Spending Item #39 – Public Safety & Engagement Team Program (PSET) – Urban, \$350,000:** The Office of Homeless Solutions is seeking funding to add three clinical therapists via contracted services to help prevent the flow of homeless individuals exiting from the Riverside County Emergency Treatment Services (ETS) to the streets. The clinical therapists will be able to assist individuals experiencing 




homelessness with appropriate services including ongoing mental health services, substance abuse treatment, and shelter resources.

- **Spending Item #53 – Mt. Rubidoux Trail Resurfacing, \$1.78M:** On November 15, 2022, the City Council approved an allocation of \$1.2 million for the design and construction of the Mount Rubidoux Trail Improvements Project. \$250,000 in funding for Mt. Rubidoux approved with the FY 2021/22 Annual Budget was moved from Spending Item #44 - PRCSD Infrastructure, Vehicles, and Equipment to this new spending item to consolidate the project funding under a single spending item. On March 7, 2023, the City Council approved additional funding of \$330,000 for the project, for a total allocation of \$1.78 million.
- **Police K9:** On April 18, 2023, the City Council approved an allocation of \$140,000 in one-time funding for the replacement of up to five Police Service Dogs.
- **PRCS Capital:** A request for a one-time allocation of \$6,492,000 for underfunded park capital improvement projects and for an annual allocation beginning in FY 2024/25 of \$3,500,000 for park facilities deferred maintenance projects was heard by the Financial Performance and Budget Committee in April with a recommendation of support. Due to lack of quorum the item was not able to be presented at the Budget and Engagement Commission. The funding is programmed into the Measure Z Spending Plan.
- **Fire Analog Simulcast Communication System, \$1.57 million:** The Fire Department's analog simulcast communication system (radio tower) is outdated and has reached the end of its lifespan due to technological advancement.  Upgrading the interoperable communications system will provide lifesaving capabilities that can benefit public safety personnel, citizens, and businesses within the community.

If all proposed items are incorporated into the amended budget, Measure Z reserves will be drawn down to a projected \$8.6 million in FY 2027/28. All Measure Z adjustments are detailed in Attachment 4, in Fund 110 and Fund 420. Certain adjustments between the Measure Z funds are required to accommodate proper accounting methodology for capital projects, but they do not represent an additional allocation of Measure Z revenues.

### Sewer Fund (Fund 550)

The adopted FY 2023/24 budget for the Sewer Fund projected a minor surplus. Budget adjustments listed below totaling \$3.61 million are recommended; there are sufficient reserves to accommodate the additional appropriations:

- **Biosolids Hauling and Disposal Budget:** \$2.02 million increase to accommodate a projected increase in volume. 
- **Chemical Budget:** \$1.42 million increase to accommodate substantial cost increases that the supply & logistics sector has experienced the past two years. 
- **Add 1.0 FTE Senior Engineer:** The additional FTE is needed to assist with planned capital projects per capital improvement plan set for in the 2019 Wastewater Master Plan. 

## Public Parking (Fund 570)

The FY 2022-2024 adopted budget for the Public Parking Fund was guided by a Parking Ecosystem Sustainability Plan adopted by the City Council on February 15, 2022. The City Council approved the Plan and related parking fee increases with a July 1, 2022 implementation, and included Parking Management Strategies to facilitate parking, reduce congestion, and improve utilization.

On July 19, 2022, the City Council engaged staff in a discussion of the impacts of the Parking Ecosystem Sustainability Plan on the Public Parking program and ultimately directed staff through a motion to: (1) reinstate the parking program prior to July 1, 2022 and return to City Council within three to seven months with an alternative parking program; (2) conduct two community engagement meetings; and, (3) allocate American Rescue Plan Act (ARPA) funds to offset parking garage costs until the City obtains proceeds from the sale of Parking Garages 1 and 2.

On April 18, 2023, the City Council approved a Parking Rate and Hour Schedule. This budget update includes adjustments to the Public Parking Fund to reflect the updated parking fees and related expenditure adjustments. The fund is expected to require a draw on fund reserves in FY 2023/24 in the approximate amount of \$970,000. There are sufficient reserves to accommodate the projected draw.

### **ADDITIONAL AMENDMENTS:**

Following the May 16, 2023 City Council meeting, the fiscal impact of the Fire Management Group MOU has been incorporated into the proposed amended budget with an approximate fiscal impact of \$322,000 for the General and Measure Z funds combined. Additionally, the cost allocation plan has been refreshed and incorporated in the attached proposed budget schedules.

Staff requests Council direction on the following items, which have not been incorporated into the attached budget schedules. The inclusion of the items may require a refresh of the City's cost allocation plan.

- Council Assistant staffing: On May 16, 2023, the City Council stated its intention to continue discussion on increasing Council Assistant staffing by 0.5 FTE per ward, for a total of 2.0 Council Assistants per ward. The fiscal impact of this item is \$272,272 subject to cost allocation, with approximately 60% (\$163,363) remaining in the General Fund and 40% (\$108,909) allocated to other City funds via the City's cost allocation plan.
- Spanish Interpreter: Contracted costs totaling \$175,000 in the General Fund, City Clerk budget for a Spanish interpretation of all City Council and Council Committee meetings, with approximately 60% (\$105,000) remaining in the General Fund and 40% (\$70,000) allocated to other City funds via the City's cost allocation plan.
- License Plate Recognition Cameras: \$250,000 increase in the General Fund, Police Department budget for cameras to cover the City's major arteries and intersections to further enhance public safety in the City.

- Demolition of fire-damaged City property: \$550,000 in Measure Z funding in the Downtown Parking spending item to cover the costs of demolition, fencing and security following a fire at 3460 Orange Street. The location is earmarked for future parking garage #8. The demolition costs are expected to be refunded via an insurance claim.

### **STRATEGIC PLAN ALIGNMENT:**

The topics included in this report align with **Strategic Priority 5: High Performing Government and Goal 5.4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

The report item aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The update of the FY 2023/24 budget is an inclusive and transparent process that incorporates community engagement, involvement of City Boards & Commissions, and timely and reliable information.
2. **Equity** – The Riverside community at large is invited to participate in community engagement efforts and public meetings related to the update of the FY 2023/24 budget. Equity is a major component of the strategic plan and related funding strategies.
3. **Fiscal Responsibility** – The thoughtful and deliberate nature of the City’s budget update process and alignment of City resources with the strategic plan demonstrates the City’s commitment to responsible management of the City’s financial resources while providing quality public services to all.
4. **Innovation** – The methodologies applied to the vetting and presentation of budget requests to ensure advancement of the City’s strategic priorities is an innovative approach to decision-making.
5. **Sustainability & Resiliency** – The budget update process facilitates the balancing of current and future needs, thereby supporting the ultimate goal of long-term fiscal stability for the City.

### **FISCAL IMPACT:**

The City’s Proposed FY 2023/24 Amended Budget totals \$1.38 billion, an increase of approximately \$64.96 million as compared to the budget adopted by City Council on June 21, 2022. General Fund additional appropriations of \$15.64 million are largely offset by revenue increases of \$15.27 million; the proposed amended budget presents a \$6.75 million (2%) surplus, which will help to buffer the City against a mild recession. The proposed adjustments in the Sewer Fund will require a projected draw on fund reserves of approximately \$3.48 million; there are sufficient reserves to accommodate the draw while remaining in compliance with the Sewer Fund Reserve Policy. The budget adjustments in the Public Parking Fund will result in a draw on fund reserves of approximately \$970,000; there are sufficient reserves to accommodate the draw.

Funds with non-routine budget adjustments are listed separately in the following table; the adjustments for all other funds are grouped under “Other City Funds”. Routine budget



adjustments include personnel budget adjustments resulting from the personnel refresh and MOU impacts; updates in debt service obligations; adjustments required per accounting rules; updated charges to/from departments (often related to shared personnel); and the effect of the updated cost allocation plan.

### Summary of FY 2023/24 Proposed Expenditure Adjustments

Fund	Adopted Budget	Proposed Adjustments	Amended Budget	% Amended
101 - General Fund	\$ 311,113,181	\$ 15,636,070	\$ 326,749,251	5.0%
110 - Measure Z Operating Fund	86,969,369	9,828,975	96,798,344	11.3%
215 - Grants and Restricted Programs	1,847,105	(162,492)	1,684,613	-8.8%
260 - NPDES Storm Drain	1,375,764	103,495	1,479,259	7.5%
280 - Housing Authority	1,830,032	(197,095)	1,632,937	-10.8%
292 - Riverwalk LMD	583,412	252,040	835,452	43.2%
390 - General Debt Service Fund	41,939,644	2,291,483	44,231,127	5.5%
401 - Capital Outlay	-	650,000	650,000	100.0%
420 - Measure Z Capital Fund	12,975,000	24,412,898	37,387,898	188.2%
550 - Sewer	69,147,573	4,488,422	73,635,995	6.5%
570 - Public Parking	8,128,602	416,720	8,545,322	5.1%
763 - CFD 2015 - 2 Pomelo	-	333,470	333,470	100.0%
Other City Funds	782,227,093	6,923,549	789,150,642	0.9%
<b>Total</b>	<b>\$ 1,318,136,775</b>	<b>\$ 64,977,535</b>	<b>\$ 1,383,114,310</b>	<b>4.9%</b>

Prepared by: Kristie Thomas, Assistant Chief Financial Officer/Finance Director

Certified as to

availability of funds: Edward Enriquez, Assistant City Manager/Chief Financial Officer/  
City Treasurer

Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/  
City Treasurer

Approved as to form: Phaedra A. Norton, City Attorney

#### Attachments:

1. Budget Resolution
2. Public Notice
3. Proposed Amended FY 2023/24 Budget
4. Detailed Listing of FY 2023/24 Proposed Budget Adjustments
5. March 7, 2023 City Council Staffing Review
6. Presentation