

The following 5-year General Fund forecast estimates were included as part of the approval process:

GENERAL FUND 5 YEAR FORECAST					
General Fund	Year 1 FY 2018/19 Projected	Year 2 FY 2019/20 Amended	Year 3 FY 2020/21 Projected	Year 4 FY 2021/22 Projected	Year 5 FY 2022/23 Projected
Beginning Reserve	\$ 59,197,900	\$ 60,433,966	\$ 59,197,954	\$ 42,040,754	\$ 19,930,354
Revenues	271,170,217	279,136,415	276,758,200	279,967,100	284,677,000
Expenditures	269,934,151	280,372,427	293,915,400	302,077,500	312,094,900
Surplus/(Deficit)	1,236,066	(1,236,012)	(17,157,200)	(22,110,400)	(27,417,900)
Ending Reserve	\$ 60,433,966	\$ 59,197,954	\$ 42,040,754	\$ 19,930,354	\$ (7,487,546)
% Reserve*	21.9%	21.6%	20.1%	13.9%	6.4%

* Beginning Reserve/Expenditures

This Forecast includes updated figures from the June 2018 Five Year Forecast based on actual costs, City Council approved supplemental amounts and adjustments throughout FY 2018/2019. It **does not include** any additional funding allocations from Measure Z outside of the adopted budget and approved spending plan which includes planned, but not encumbered expenses.

REVISED ASSUMPTIONS FROM THE FY 2018/19 YEAR END

The FY 2018-2020 General Fund Budget, as developed in 2017/18, included a conservative approach that assumed a slowing of the economy with declining growth rates for the General Fund’s major revenue sources. As reported to City Council on December 17, 2019, the General Fund ended FY 2018/19 in better condition than projected, with revenues outperforming projections, and savings in nearly all expenditure categories. As a result, the City was able to achieve the aspirational 20% General Fund reserve goal and end the year with \$4.4M in surplus reserves.

Finance contracted with Bartel and Associates, LLC., for a Riverside specific actuarial analysis for future retirement funding projections. This analysis was presented to City Council on December 17, 2019 and included revised cost estimates.

Finance has worked with their financial advisors to closely review the last ten years of all actual transactional history and trends to update the methodology for budget assumptions in preparation for the FY 2020/21 and FY 2021/22 budget cycle. The updated General Fund budget forecast assumptions include additional revenue growth of approximately \$4.7M and a decrease of approximately \$5.3M of expenditures. The General Fund has been right-sized through the removal of transactions that are not General Fund activity (such as grants and special projects) which reduced the funding required to meet the General Fund’s aspirational reserve amount of 20%.

The revised budget assumptions, using actual transactional history, have resulted in an estimated General Fund shortfall of approximately **\$7M for both FY 2020/21 and FY 2021/22 – which is a significant difference from the \$18M (20/21) and \$22M (21/22) deficits projected as part of the 2-year budget, 5-year plan adopted in June 2018.**

As with all budget assumptions and forecasts, the numbers are estimates and are subject to several known and unknown impacts.

ADDITIONAL CALPERS COST MANAGEMENT OPTIONS

The following options were provided to City Council on December 4, 2018 and have not yet been formally presented. These cost management options include a variety of variables that require additional in-depth analysis to provide potential results and long-term implications of the options available to the City. Please note that all options have pros and cons.

Description	
Use of Cash Reserves	Establish a policy that may lower cash reserves requirements and utilize more cash to pay down the UAL.
Review the City’s Fees & Charges	Many of the City’s existing fees are established at a rate less than 100% of the cost to provide the related service. The City can offset some costs by increasing the current recovery rate.
Subsidy programs	The City provides significant support to community programs, organizations, and events. As we enter a new era of financial constraints, these subsidies may be reviewed for conformity to the City’s strategic priorities and potential opportunities for cost savings.
Reduce Operational Budget	The City could require departments to review their budgets to re-allocate budgeted funds towards an account to pay down the UAL.
Cash Pool Borrowing or Interfund Loans	Utilizing available cash on hand from different funds to help pay down the UAL and repay the funds overtime at a reasonable interest rate.
Measure Z – Strategic Use	Measure Z was passed by the City’s voters in November 2016 to reduce cuts, repair infrastructure, and provide general services.

NEXT STEPS FOR THE CALPERS CHALLENGE

Unless otherwise directed, the following options are planned for Finance Committee discussion and recommendation to the City Council:

Date	Description
January 2020	Pension Obligation Bond Workshop
March 2020	10-year forecast tool be available for all to use
March 2020	Review of the Measure Z 5 Year Spending Plan
April 2020	Corporate Sponsorship Decision Package
April 2020	Decision Package on City Owned Real Estate Disposition
October 2020	Revenue Generation Decision Package

FISCAL IMPACT:

There is no direct fiscal impact associated with presentation of this report. Upon direction from City Council to move forward with any of the CalPERS Cost Management Options, those costs

and the associated long-term savings from the options will be provided as part of the recommendations to the report.

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Attachment: Presentation