



City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS **DATE:** MARCH 9, 2017
FROM: FINANCE DEPARTMENT **WARDS:** ALL
SUBJECT: MEASURE Z SPENDING PRIORITIES

ISSUES:

The issue for the Budget Engagement Commission is to receive, provide input and develop recommendations to the City Council on Measure Z spending priorities, in time for the May 9, 2017 Joint Budget Engagement Commission and City Council meeting.

RECOMMENDATIONS:

That the Budget Engagement Commission:

1. Receive and provide input on potential changes to the Proposed Measure Z Spending Plan; and
2. Develop recommendations to the City Council on Measure Z spending priorities in time for the May 9, 2017 Joint Budget Engagement Commission and City Council meeting.

BACKGROUND:

On February 23, 2017, Staff presented the Budget Engagement Commission (BEC) with the Proposed Measure Z Spending Plan (Attachment 1). In addition to the plan, Staff presented the BEC with direction from the City Council on Measure Z priorities and additional staff recommendations (Attachment 2). The City Council direction and additional staff recommendations are divided into four main categories, including public safety, capital investment, quality of life, and fiscal discipline. The items under public safety and capital investment will be presented on March 9, 2017, while the quality of life and fiscal discipline items will be presented on April 6, 2017.

Potential changes to the Proposed Measure Z Spending Plan are listed in detail in Attachment 3. Any fiscal impact of recommended changes to the Proposed Measure Z Spending Plan by the BEC, will be presented on April 6, 2017 and May 4, 2017.

DISCUSSION:

Public Safety:

The Proposed Measure Z Spending Plan included Public Safety funding for 60 additional police officers, additional non-sworn Police Department personnel (dispatchers, background

investigators, etc.), reinstatement of Fire Department positions (fire squad, battalion chief, and two captains), and replacement/repairs of fire and police vehicles. The total anticipated five-year costs were approximately \$57.1 million. To address the direction from the City Council, potential changes to the Proposed Measure Z Spending Plan have been included in the four sub-categories below.

Police Vehicles:

The Proposed Measure Z Spending plan included new police vehicle funding of \$2 million per year over the course of the first five-years. Beginning in FY 2017-18, the plan proposed to fund a total of \$8 million towards new Police Department Vehicles through FY 2020-21. At the request of the City Council and in conjunction with the Police Department, staff has performed further analysis on Police Department vehicle needs.

The Police Department currently has a fleet of 100 marked units, 180 unmarked units and 19 motorcycles. The number of Police Department vehicles is largely driven by the City's Memorandum of Understanding (MOU) requirements. The useful life is approximately 3-5 years or 120,000 miles for a marked vehicle and 5-7 years or 120,000 miles for an unmarked vehicle. Police motorcycles have an average lifespan of five years with a maximum 60,000-mile threshold for replacement.

From the date of purchase, it generally takes between 90-120 days for a marked unit, unmarked unit, or motorcycles to enter into service. In today's dollars, a fully equipped marked unit costs approximately \$48,000, an unmarked unit costs approximately \$29,000 and a motorcycle costs approximately \$28,500.

The Police Department worked with staff from General Services, the City Manager's Office and the Finance Department to put together a 20-year funding plan for vehicle replacement. The plan calls for an immediate need of approximately 64 vehicles, which includes 35 marked units, 25 unmarked units, and 4 motorcycles. The total cost is approximately \$2.5 million. Utilizing a four-year capital lease to purchase the 64 vehicles, annual debt service payments would be approximately \$690,000, beginning in FY 2017/18. In addition to the one-time infusion of vehicles, an annual budget of \$2-3 million would be established to fund new vehicle purchases for 19 years. A summary of the plan can be found in Attachment 4. The revised vehicle replacement plan takes into account the additional 60 sworn officers included in the Proposed Measure Z Spending Plan.

Estimated costs of the revised Police Department vehicle replacement plan would be approximately \$11.1 million through the initial five-year period of the Proposed Measure Z Spending Plan, and a total of approximately \$51.7 million over 20 years.

As an alternative to the proposed 20-year spending plan, the City Council asked staff to look into funding six vehicles in FY 2016-17, instead of waiting until FY 2017-18. On January 10, 2017, the City Council approved the purchase of six 2017 Ford Police Interceptor SUV Pursuit Vehicles for \$187,035. Including additional equipment and vehicle enhancements of approximately \$20,000 per vehicle, the total purchase price for six vehicles in FY 2016-17 would be approximately \$307,000. Any vehicles purchased in FY 2016/17 reduces the need to purchase vehicles in FY 2017/18.

Staff is currently looking into the possibility of utilizing a vehicle restoration program for its Crown Victoria vehicles. Staff recommends the funding of a test pilot program of two vehicles to see if

the vehicles meet the expectations of the Police Department. At approximately \$25,000 per vehicle, the plan would reduce the total cost of new vehicles by approximately 50%. Depending on the success of the restoration pilot program, staff can provide further estimates on potential cost savings, which would be limited by the number of Crown Victoria vehicles eligible for the program.

Fire Vehicles:

The Proposed Measure Z Spending Plan included new fire vehicles/apparatus funding of \$1.6 million per year over the course of the first five-years. Specifically, beginning in FY 2017-18, the plan proposed to fund a total of \$6.4 million towards new Fire Department vehicles through FY 2020/21. At the request of the City Council and in conjunction with the Fire Department, staff has performed further analysis on Fire Department vehicle needs.

The Fire Department currently has a fleet of 32 vehicles, which represents a diverse range of equipment. The useful life of most fire vehicles is approximately 5-20 years. Generally, battalion and squad vehicles have a 5-year useful life. Fire engines have a 12-15 year useful life, with mileage limits of 100,000 and 10,000-hour limits on the engine/pump. Additionally, fire trucks have a 15-20 year useful life, with mileage limits of 100,000 miles and 13,500-hour limits on the engine/pump.

In addition to the in-service vehicles detailed above, the Fire Department has a reserve fleet consisting of nine vehicles (six Fire Engines, one Brush Truck, one Fire Truck, and one Squad Vehicle). The reserve group of vehicles will be replaced as the Fire Department's active fleet is replaced. The reserve vehicles are a vital part of the Fire Department and are used when a vehicle in the existing fleet is under repair or when vehicles need to be sent out of town for mutual aid. The National Fire Protection Agency (NFPA), the organization which creates standards and best practices for the fire service, states that an organization should not keep reserve vehicles past the age of 25 years old. Currently, the Fire Department's reserve fire engines are 22 years old and are in need of replacement.

From the date of purchase, it generally takes between 90-120 days for smaller vehicles (e.g. battalion vehicle) to enter into service and approximately one-year for larger vehicles (e.g. fire engine/truck) to enter into service. In today's dollars, a fully equipped fire engine will cost approximately \$900,000, larger fire trucks will cost approximately \$1.3 to \$1.6 million, and squad vehicles will cost approximately \$370,000.

The Fire Department has worked with staff from General Services, the City Manager's Office and Finance Department to put together a 20-year funding plan for vehicle replacement. The plan calls for an immediate need of approximately 16 vehicles, which includes eight fire engines, two tiller trucks, one straight truck, two water tender vehicles, one brush truck and two squad vehicles. The total cost is approximately \$13.7 million. Utilizing a ten-year capital lease to purchase the 16 vehicles, annual debt service payments would be approximately \$1.7 million, beginning in FY 2017/18. In addition to the one-time infusion of vehicles, additional vehicles would be needed beginning in FY 2021/22. A summary of the plan can be found in Attachment 5.

Estimated costs of the revised Fire Department vehicle replacement plan would be approximately \$11.1 million through the initial five-year period of the Proposed Measure Z Spending Plan, and a total of approximately \$58.5 million over 20-years.

Police and Fire Vehicle Fleet Maintenance Improvements – Facility and Staffing:

The City's General Services Department - Fleet Division currently provides vehicle maintenance for all City vehicles, except the vehicles assigned to the Police Department. Police vehicle maintenance will soon be transferred to the General Services Fleet Division.

In order to effectively service both the existing fleet of Police and Fire vehicles, as well as additional vehicles, four additional mechanics will need to be added to the Fleet Division, along with approximately \$100,000 for facility improvements. Two additional mechanics would be assigned to Fire Department vehicles and two mechanics would be assigned to Police Department vehicles. The \$100,000 in facility maintenance would be spent on improvements to the fleet facility to add rollup doors, new lifts, and improve the drive up approach. These changes would allow staff to work two shifts, fixing and proactively maintaining more vehicles. The process to complete these improvements, hire/transfer staff, and begin this plan would be approximately six months from approval of the plan and allocation of funding.

Estimated costs of the proposed fire and vehicle maintenance staffing and facility improvement plan would be approximately \$1.7 million through the initial five-year period of the Proposed Measure Z Spending Plan, and a total of approximately \$9.6 million over 20 years.

Human Resources Staffing and Hiring Incentives:

The Human Resources Department, Police Department, and City Manager's Office are recommending hiring incentives to actively recruit the 60 sworn officers and nine dispatchers included in the Proposed Measure Z Spending Plan. With the normal turnover due to retirements, the incentives would apply to all dispatcher and lateral police department hires citywide. Potential hiring incentives include:

- Referral bonuses of \$1,000 for City employees if their referral is hired and passes probation;
- Hiring bonus of \$1,000 for dispatchers plus \$1,500 after passing probation, and \$2,500 upon two years of service;
- Vacation bank of 80 hours upon hire provided to all dispatchers and lateral sworn officers.

Additionally, the Police Department will need to fund other recruitment and training costs for the Proposed Measure Z Plan positions, which include:

- Advertising
- Office Supplies
- Written/Physical Testing
- Background Investigations

Including the Proposed Measure Z Spending Plan positions, the Police Department estimates hiring 20 dispatchers and 48 lateral officers over the next four years.

In order to recruit timely for the additional Police Department positions, one Senior Human Resources Analyst will need to be added to the Human Resources Department's budget. This position will be dedicated to the Measure Z staffing included in the Proposed Measure Z Spending Plan.

Estimated costs of the hiring incentives and Senior Human Resources Analyst would be approximately \$1.8 million through the initial five-year period of the Proposed Measure Z Spending Plan, and a total of approximately \$4.3 million over 20 years.

Capital Investment

Overview of Capital Bond Projects:

The Proposed Measure Z Spending Plan included funding for approximately \$160-185 million in capital projects. Potential projects would include funding for a new Main Library, new Police Headquarters and Detention Facility, expansion of the Convention Center and Museum, and funding for a pair of 400-space parking garages in Downtown.

On February 23, 2016, the City Council unanimously selected 3911 University Avenue as the site for the new Main Library. A Request for Qualifications (RFQ) was issued for statements of qualification for the development of the new Main Library. The 21 responses were scored by a selection committee composed of staff and community members. On November 10, 2016, a Request for Proposals (RFP) was issued to the top eight firms and the selection committee scored responses and agreed to invite the top four most qualified architectural firms to interviews. The interviews are scheduled for March 2, 2017. Following interviews, staff will negotiate a tentative agreement with the top firm and present a recommendation to the City Council for their consideration. The estimated cost to build a new Main Library is \$30 million.

The City's Downtown Police Headquarters is located at 4102 Orange Street and was constructed in 1963. On June 14, 2007, the County of Riverside (County) and the City entered into a short-term lease agreement for the Orange Street property to be used as the Downtown Police Headquarters. The lease was for a maximum term of five years with an annual rent of \$1.00. The City was responsible for payment of all maintenance and repairs to the Property. During this short-term lease period, the City attempted to relocate the Riverside Police Department from this property to a new, permanent location. As no suitable facilities were identified during this period, the lease was amended on April 21, 2010 and the term was extended for an additional five years with a new expiration date of August 14, 2017. With no additional prospects for relocation of the Downtown Police Headquarters, the County has agreed to lease the facility to the City for an additional five to ten years at market rate. On February 28, 2017, the City Council will hear a request to approve an amended lease at a rate of \$292,000 per year, with annual increases, for a total amount of \$1,460,000 over the initial five years of the amended lease. The amended lease includes a City option to lease for an additional five years, bringing the maximum rent due to \$2,993,000 over the next ten years. The estimated cost to build a new Downtown Police Headquarters is \$50 million.

The existing Convention Center was built in 1972. The facility was recently rehabilitated and expanded to approximately 140,000 square feet at a cost of \$45 million. This project, completed in 2014, significantly increased existing exhibit space and provided for additional meeting areas and a new state of the art kitchen. Currently, the outstanding debt balance on the renovation project is \$39.8 million, with annual debt service payments of approximately \$3 million and a payoff date of April 2034. The Raincross Hospitality Corporation currently operates the Convention Center. In FY 2015/16, Convention Center accounted for 314 events, bringing in more than 160,000 attendees. According to a recent presentation to the City Council in November 2016, the activities at the Convention Center in FY 2015/16 had an estimated economic impact of \$10.5 million. The proposed expansion will provide up to an additional 100,000 square feet with more exhibit and meeting space. The expansion would push into an adjacent parking lot, which would require a new parking garage to accommodate up to 1,200 spaces. Estimated costs of the expansion and parking facilities is approximately \$40 million.

The existing Museum, built in 1912 as a US Post Office, houses more than 200,000 artifacts in

its collections and 2,000 linear feet of archives in the disciplines of natural history, anthropology and history. Permanent and special exhibitions are on display throughout the year and are open to the public free of charge. The Museum also offers educational programs, special cultural events, and school programs. The proposed plan to rehabilitate and expand the existing Museum, includes opening up the mezzanine deck to the original building roof skylight, infrastructure repairs, American Disabilities Act (ADA) concerns, program/exhibition improvements and expanding the rear of the building to accommodate new exhibit space. The estimated costs of the Museum repairs and expansion is approximately \$15 million.

On January 24, 2017, the City's consultant, Dixon Resources, presented their findings from the Downtown Strategic Parking Plan to the City Council. In order to clarify various questions and concerns, including future parking rates, staff will return to the City Council on March 21, 2017. Included in the Downtown Strategic Parking Plan is the need for additional parking in Downtown. Specifically, due to future development, the City will be losing approximately 341 existing parking spaces, which creates both an immediate need (loss of parking) and long-term need (more spaces needed as development is completed). The proposed cost of two 400-space parking garages is approximately \$15 million per parking structure, for a total cost of \$30 million.

The Proposed Measure Z Spending Plan includes capital project funding of \$36 million in principal and interest payments over the first five years and an estimated \$266.4 million over 20 years. With a potential sunset of 20 years, staff has structured projected debt service payments for the proposed capital projects over the last 18-years of Measure Z. Any changes in this timeline may limit the ability to fund projects or impact certain projects underway (e.g. Main Library). As the allowable time to bond project gets shorter, the principal and interest payments will get larger, which may not fit with certain costs proposed over the initial term of Measure Z.

The City Council has asked the BEC to recommend:

1. If any project should be expedited; and
2. If any or all projects should be delayed in favor of allocating funds for other capital needs, including roads, existing facility repairs, technology needs, or other items.

Parking Structure Financing:

At the January 31, 2017 City Council Special Meeting, staff was asked to provide an analysis on the potential to fund the two 400-space parking garages through revenue generated by these facilities. In order to make this determination, staff needed to consider many variables, including, but not limited to:

- Estimated cost per parking structure (\$15 million per garage)
- Financing length and terms (30 years at 5% bond financing)
- Operating and maintenance costs
- Current parking rates (e.g. first 90 minutes free, special event fees, etc.)
- Potential long-term clients (e.g. Downtown businesses)
- Existing garage performance (e.g. Fox Theater Parking – 398 spaces)

Utilizing the factors noted above, the revenue generated (approximately \$250,000/year) would be able to meet its annual operational costs (approximately \$250,000/year), but would not be able to support any of the debt service costs of approximately \$1 million per year per parking structure. In order to make the parking structures cost neutral, the existing parking rates would have to be raised substantially (e.g. four-fold).

Ward (City Council) and Citywide (Mayor) Capital Funding Program Outline:

The Proposed Measure Z Spending Plan included a program to allocate \$250,000 in annual capital funding to each City Council Member and the Mayor. Specifically, the proposed program will provide discretionary funding for current and future unfunded capital ward-specific and citywide projects. The proposed rules are as follows:

1. Funds must be spent on City specific capital projects.
 - a. Capital is defined as an asset owned by the City (e.g. library, street light, sidewalk, etc.), but may also include significant repairs that extend the life of a capital asset (e.g. roof, fence, and playground repairs).
 - b. Funds will not be utilized as grants and/or sponsorships to third parties.
2. All spending will be conducted in accordance with the City's current and future purchasing rules and regulations.
3. Each year, \$250,000 will be allocated to eight accounts (each ward and citywide).
 - a. The funding allocated to each account may be carried over from year to year to fund larger projects.
 - b. The funding, with written approval from the appropriate elected official(s), can be shared to fund joint projects.

The City Council has asked the BEC to recommend:

1. If more funding should be allocated for ward-specific capital projects instead of the proposed downtown projects (e.g. Main Library, Police Headquarters, etc.); and
2. If the proposed program funding should be allocated on a different methodology, including, but not limited to low-income residential areas.

The annual cost of the ward specific and citywide unfunded capital improvement program in the Proposed Measure Z Spending Plan is \$2 million per year.

Street Maintenance: Current, Proposed, and Potential Changes:

The City of Riverside has approximately 873 miles of roadways, which is comprised of residential streets (716 miles – 82%), major arterials (131 miles – 15%), and alleys (26 miles – 3%). The annual budget for pavement preservation and restoration includes funding from several sources including the City General Fund, local gas taxes, and Riverside County Measure A, ½ cent sales tax funds. The following page includes a breakdown of the budget for FY 2016/17 and FY 2017/18.

Source		Adopted Budget FY 16/17	Adopted Budget FY 17/18
	Description		
General Fund			
	General Fund Contribution	\$2,197,205	\$2,245,329
Non -General Fund (54% Measure A, 46% Gas Tax)			
	Subsidy for Street Maintenance	\$2,287,097	\$2,287,097
	Pavement Rehabilitation	\$5,525,000	\$5,025,000
	Sidewalks, Curb & Gutter, Pedestrian Ramps	\$1,100,000	\$1,100,000
	Debt Service for Transportation COP	\$3,002,988	\$2,999,588
	Subtotal Non-General Fund	\$11,915,085	\$11,411,685
	Total Budget Pavement Rehab/Maintenance & Sidewalks	\$14,112,290	\$13,657,014

The budget for road rehabilitation is allocated for various types of pavement treatment such as crack fills, slurry seals, pavement overlays, asphalt rubber hot mix, asphalt recycling and pavement reconstruction. The actual cost of each varies based on specific road conditions, such as the width of the road, its type (residential or arterial) and the number amenities such as striping, signal loops, speed humps, curbs, gutters and sidewalks. Work completed on each project varies based on the individual needs and structure of the roads.

The typical residential roadway includes approximately 36 feet of pavement width. Preventative maintenance of crack fills and slurry seals every eight to ten years is desirable at an average cost of \$40,000 per mile. Edge grind and pavement overlay or reconstruct is desired every 25 to 30 years at an average cost of \$350,000 per mile. Arterials vary from four to six lanes in width; the most typical width varies from 64 feet to 88 feet width in asphalt paving. Pavement rehabilitation is desirable every 15 years. The cost varies from \$800,000 to \$1,200,000 per mile, depending on the scope of work and road improvement needs.

Council recently approved a contract to implement a computerized pavement management system that will provide for a proactive systematic review of the city streets and aid in the management and prioritization of needed maintenance. The work will be performed over a four-year term, assessing one quarter of the City’s streets per year. Ideally, the City will continue these efforts on an on-going basis to facilitate a review of the condition of every road, every four years. Annually as the work progresses, a report will be provided with recommendations on how to best allocate resources for the roads surveyed. The next report will be provided to the City Council within the next two to three months.

During the January 31, 2017 City Council Special Meeting, the request to fund up to 80 miles of street repair was raised. Currently, the number of miles paved per year varies based on annual needs and available budget. In general, many City roads are in poor condition, requiring most of our funds to be allocated to pavement restoration, which is more costly than routine preventative maintenance such as slurry sealing. To reach a goal of 80 miles a year, it would

be recommended that roads be placed on a routine schedule for maintenance based on the type of road.

The Proposed Measure Z Spending Plan, included \$11.5 million in funding for street related projects over the initial five years. On average, this would provide for \$2.3 million in annual funding. The request to fund 80 miles per year would require additional funding of approximately \$12.2 million per year.

Potential Funding Allocation to Improve 80 Miles Per Year						
Work Type	Miles Per Year	Cycle (Years)	Cost Per Mile	Total Cost	Current Budget	Additional Needed
Residential Slurry	49	10.3	\$40,000	\$1,960,000	\$350,000	\$1,610,000
Residential Paving	23	32.2	\$350,000	\$8,050,000	\$2,250,000	\$5,800,000
Arterial Rehabilitation	8	16.6	\$900,000	\$7,200,000	\$2,400,000	\$4,800,000
Total	80			\$17,210,000	\$5,000,000	\$12,210,000

Eight additional staff members would be needed to provide for engineering design and construction inspection in order to provide routine pavement maintenance of 80 miles per year. This cost is included in the per mile cost estimates-- however, it would take approximately six months to hire the additional staff necessary to design the projects and another six months to prepare them for bidding.

Information Requests:

At the February 23, 2017 BEC meeting, the Commission requested staff to provide information on the composition of personnel costs. The FY 2016-2018 Two-Year Adopted Budget includes more than \$300 million in anticipated personnel expenditures per year. More than 80% of the total personnel budget in each year is comprised of salaries (approximately 62%) and retirement costs (approximately 21%). The Police (approximately 28%), Public Utilities (approximately 27%), Fire (approximately 14%), and Public Works (approximately 11.3%) departments account for approximately 80% of all personnel expenditures citywide (Attachment 6).

Timeline:

The timeline below reflects various related meetings and actions, by the City Council and the BEC, for planning purposes. As needed, the BEC may schedule additional meetings to discuss Measure Z spending priorities. As requested by the BEC on February 23, 2017, a listing of departments that will be available to answer questions at each meeting is also provided.

- March 9, 2017 – BEC Meeting: Measure with a focus on Public Safety and Capital/Infrastructure
 - *Departmental representatives from Finance, Police, Fire, Public Works, General Services, Library, Museum, Human Resources, and City Manager’s Office will be present to answer departmental specific questions.*
- April 6, 2017 – BEC Meeting: Second Quarter financial report (FY 2016/17) including updates on the CalPERS retirement costs, reports from City Commissions, and Measure Z with focus on Quality of Life, Fiscal Discipline, Operating Needs and Technology.

- *Departmental representatives from Finance, Public Works, General Services, Innovation and Technology and City Manager’s Office will be present to answer departmental specific questions.*
- *Additional departments will be asked to attend based on questions and inquiries from the March 9 meeting.*
- *To the extent possible, a representative from each City Board/Commission will be on hand to provide input and answer questions about their recommendations.*
- **April 11, 2017 – City Council Meeting:** Second Quarter financial report (FY 2016/17).
- **May 4, 2017 – BEC Meeting:** Riverside 2.0 Goals and Performance Measures, and recommendations on the Measure Z Spending Plan.
 - *Questions and inquiries from the BEC on March 9 and April 6, will determine the City departments that will attend to answer departmental specific questions.*
- **May 9, 2017 – Joint City Council and BEC Meeting: Measure Z Recommendations.**
 - *All City departments will be available for questions from the City Council and BEC.*
- **May 25, 2017 – BEC Meeting:** Optional regular meeting to discuss items within the purview of the BEC.
- **June 8, 2017 – BEC Meeting:** Third Quarter financial report (FY 2016/17), FY 2017/18 Mid-Cycle proposed adjustments, and updates to the five-year financial plan.
- **June 13, 2017 – City Council Meeting:** Third Quarter financial report (FY 2016/17), FY 2017/18 Mid-Cycle proposed adjustments, and updates to the five-year financial plan.

FISCAL IMPACT:

There is no fiscal impact associated with the discussion on potential changes to the Proposed Measure Z Spending Plan.

Prepared by: Adam Raymond, Assistant Chief Financial Officer
Certified as to availability of funds: Scott G. Miller, PhD, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Original Measure Z Proposed Spending Plan
2. January 31, 2017 – City Council Direction Measure Z
3. Potential Measure Z Spending Plan Changes
4. Police Department Vehicle Replacement Plan
5. Fire Department Vehicle Replacement Plan
6. February 23 BEC Information Request – Personnel Expenditures
7. Presentation