

# FY 2016-2018 Two-Year Budget: FY 2016-2017 1<sup>st</sup> Quarter Update

Finance Department

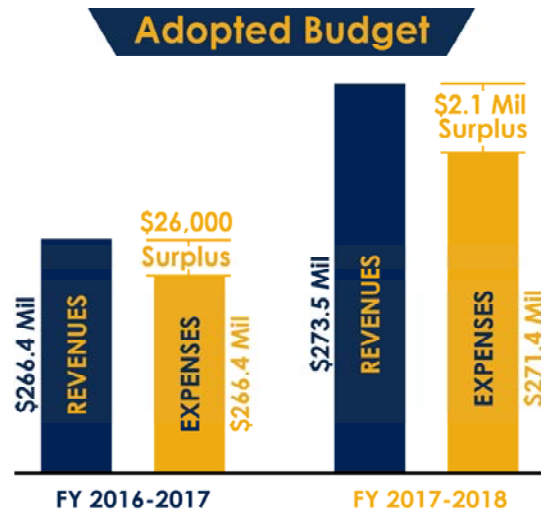
## City Council Meeting

December 20, 2016

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### BACKGROUND

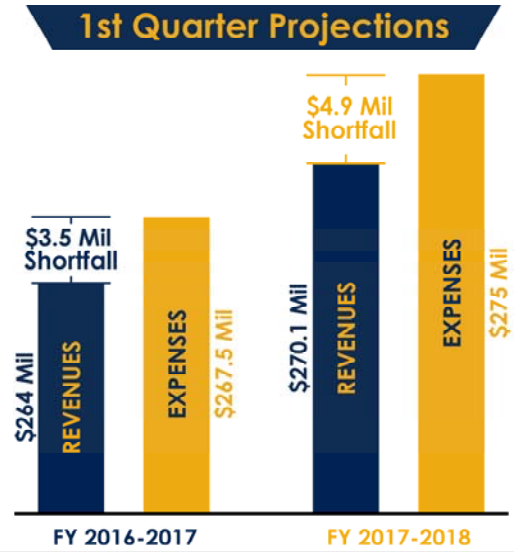
- FY 2016-2018 Budget adopted on June 21, 2016
  - 1<sup>st</sup> two-year budget and five-year plan
  - Intensive public outreach
  - In-depth departmental budget presentations
  - Identified critical unfunded needs
  - Implemented 4% reductions



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# 1<sup>ST</sup> QUARTER PROJECTIONS

- General Fund shortfalls attributed to:
  - Lower revenues
  - Unbudgeted/unfunded vehicle maintenance and parks debt
  - Higher projected personnel costs



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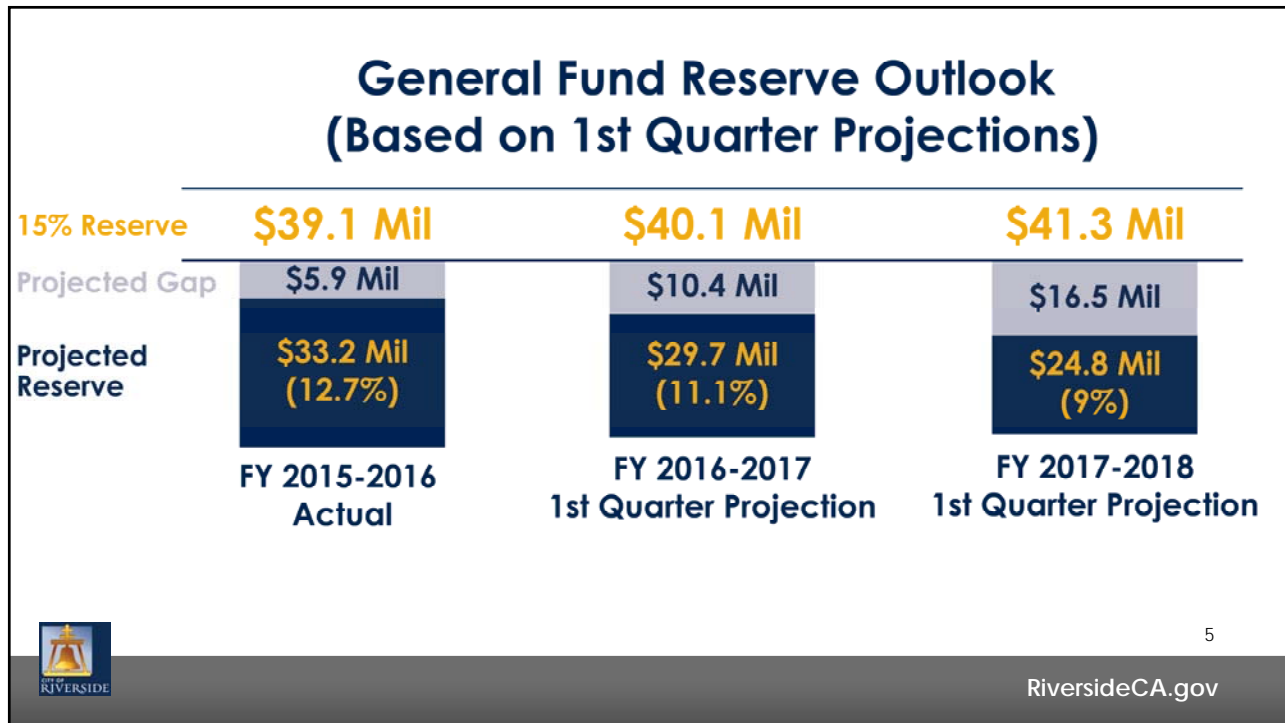
## Factors Contributing to Projected Shortfall

	FY 2016-2017	FY 2017-2018
Adopted Surplus	\$26,530	\$2,078,014
Union Contracts	\$(819,081)	\$(3,396,309)
Lower Revenues	\$(2,426,858)	\$(3,395,908)
Insufficient Funds for Parks Debt	\$(600,000)	\$(600,000)
Transfers for Sewer Claims	\$900,000	\$900,000
Other	\$(52,004)	
Fire Department Maintenance	\$(500,000)	\$(500,000)
<b>Estimated Shortfall</b>	<b>\$(3,471,413)</b>	<b>\$(4,914,203)</b>




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### GENERAL FUND REVENUE

GENERAL FUND	ACTUALS	ADOPTED		PROJECTED (1ST QTR)		DIFFERENCE	
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17	FY 2017-18
Sales & Use Taxes	\$60,976,046	\$66,567,942	\$70,140,574	\$65,095,762	\$67,636,916	\$(1,472,180)	\$(2,503,658)
Property Taxes	\$53,337,211	\$56,730,769	\$59,713,414	\$55,910,544	\$58,849,770	\$(820,225)	\$(863,644)
Utilities Users Tax	\$27,828,010	\$28,577,109	\$29,180,764	\$27,983,545	\$28,505,619	\$(593,564)	\$(675,145)
Special Revenue - Entert.	\$11,796,183	\$11,151,690	\$11,289,982	\$11,969,102	\$12,121,395	\$817,412	\$831,413


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## SALES TAX

- FY 2016-2017: \$1,472,180
- FY 2017-2018: \$2,503,658
- Lower baseline
- Growth projections lowered
  - FY 2016-2017: 5.9% to 4.5%
  - FY 2017-2018: 5.5% to 4%



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## ECONOMIC CONDITIONS

- **09/2016:** So. CA lead the nation in wage growth (3.8% year-over-year)
- **09/2016:** Statewide unemployment is down
  - Riverside County(6.5%) higher than other counties - Los Angeles(5.2%), Ventura (5.5%), San Bernardino (5.9%) and Orange (4.1%)
- **09/2016:** CA's new car sales are down (5.6% year-over-year)
- **10/2016:** CA's sales tax revenue in October was lower than projections(5.6%)

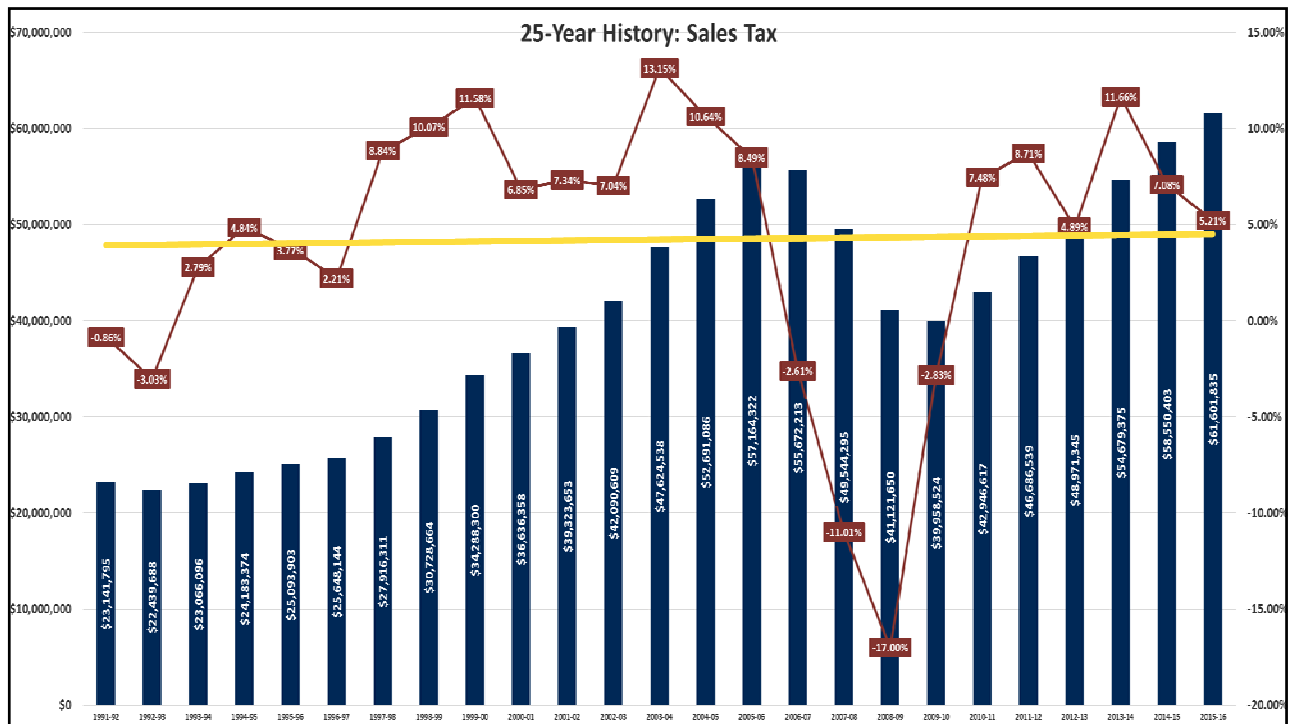


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# ECONOMIC CONDITIONS

- **11/2016:** US online sales hit records on Black Friday and Cyber Monday.
  - Increased online sales and sales tax collection is an issue in California; out-of-state retailers do not always add tax.
- **11/2016:** Reports indicate that with deep discounts on Black Friday, people spent less (3.5%) less than last year
  - Other reports indicate that people will spend 8% more this holiday season
- **12/2016:** Galleria at Tyler expects growth to be similar to last year (approx. 4%)



## GENERAL FUND EXPENDITURES

### Finance Department

- \$698,000 under budget
  - 2.5 Business Tax vacancies (\$198,000)
    - Offsetting reduction in revenue
  - Credit card charges (\$500,000)
    - Offsetting reduction in charges to other departments (e.g. Public Utilities)



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## GENERAL FUND EXPENDITURES

### Fire Department

- \$750,000 over budget in FY 2016-2017
- \$500,000 over budget in FY 2017-2018
  - Unfunded vehicle maintenance (\$500,000)
    - FY 2016-2017 and FY 2017-2018
  - Personnel (\$250,000)
    - Implementation of 4% reductions in FY 2016-2017



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## GENERAL FUND EXPENDITURES

### Parks, Recreation, and Community Services

- \$600,000 over budget in FY 2016-2017 and FY 2017-2018
  - Unbudgeted Park's Renaissance debt in General Fund
    - Development Impact Fee Funds unable to pay \$1.1 million annual allocation
    - FY 2015-2016 end-of-year closing process identified issue



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## GENERAL FUND EXPENDITURES

### Public Works

- \$900,000 under budget in FY 2016-2017 and FY 2017-2018
  - General Fund recovery of lateral repairs from Sewer Fund
    - Annual savings of \$450,000 in estimated lateral costs
    - Three year recovery of previous expenditures at \$450,000/year



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## GENERAL FUND EXPENDITURES

### Employee Compensation

- \$819,081 in FY 2016-2017
- \$3,396,309 in FY 2017-2018
- Final employee negotiations cost more than anticipated
  - FY 2016-2017:
    - Medical and one-time pay increases in
  - FY 2017-18:
    - Medical, one-time, and Measure Z related salary increases



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## MEASURE Z REVENUE

- Adopted by voter on November 8, 2016
  - Estimated FY 2016-17 revenue: \$10 million
  - Estimated FY 2017-17 revenue: \$51.6 million



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## MEASURE Z EXPENDITURES

- Workshop on January 31, 2017
- City Manager authorized reinstatement of Fire Squad on December 7, 2016
  - Improve response times
  - Eliminated with 4% reductions
  - \$450,000 in FY 2016-17
  - \$792,728 in FY 2017-18



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## DEBT AND INVESTMENT REPORTS

- The quarterly investment report is included in this report:
  - Report showing cash balances by fund has been added as of 09/30/2016
  - Information is provided regarding funds with an unusual cash position.
  - No fund's cash balance is currently a major concern.
- The quarterly debt report is included in this report:
  - There have been no major changes to the City's debt portfolio through 09/30/16.



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## RECOMMENDATIONS

That the City Council:

1. Receive and provide input on the attached FY 2016/2017 First Quarter Financial Report and FY 2017/2018 financials for the General Fund with preliminary analysis of Measure Z revenues, as well as cash, investment and debt reports for all funds;
2. Amend the FY 2016-2018 Two-Year Budget to include the anticipated Measure Z revenues of \$10,000,000 in FY 2016/2017 and \$51,577,000 in FY 2017/2018 (to be accounted in new Fund 110); and
3. Authorize FY 2016/2017 and FY 2017/2018 budget amendment to appropriate Measure Z funding to ratify the City Manager's reinstatement of one Fire squad as directed by the City Manager on December 7, 2016 (costing \$450,000 in FY 2016/2017 and \$792,728 in FY 2017/2018).

