

FY 2021/22 BASELINE BUDGETS FOR THE GENERAL FUND AND MEASURE Z

Finance Department

Budget Engagement Commission Meeting
December 17, 2020

RiversideCA.gov

1

Background

FY 2019/20 Actuals

Audit incomplete, but current results show:

- A potential \$17 million savings in the General Fund
- General Fund revenues largely unaffected by pandemic
- Measure Z revenues higher than expected

FY 2020/21 Emergency Budget

One-year budget adopted due to the pandemic. Included:

- 10% contingency reduction in General Fund revenues due to potential pandemic impacts
- Measure Z contribution to remain at FY 2019/20 level (\$18.2 million)
- Variety of balancing measures - vacancy savings, POB savings, Section 115 Trust withdrawal

NOW: Baseline budget in preparation for FY 2021/22 budget



2

RiversideCA.gov

2

FY 2021/22 Budget Goals

1. Address the General Fund structural deficit and the potential impacts of the pandemic on City finances.
2. Prepare a contingency plan if the General Fund Transfer from the Electric Fund is invalidated by a trial court, in an amount to be determined.



3

RiversideCA.gov

3

Structural Deficit

Over the last three years, staff has worked to eliminate inherited budget processes and restructure the General Fund to:

- Improve transparency of General Fund operations
- Quantify the General Fund structural deficit

Estimated structural deficit: \$14.5 million

- \$32.8 million structural deficit without the \$18.3 million Measure Z contribution
- Largely attributable to rising pension and personnel costs

Capital Projects
 Restricted Funds
 One-time Revenue Budget
 Convention Center
 Special Districts
Noise in the General Fund
 Grants
 Managed Savings Budget
 Municipal Auditorium
 Fox Entertainment Plaza



4

RiversideCA.gov

4

Potential Pandemic Impacts

Although meaningful recovery anticipated in FY 2021/22, we still expect impacts on General Fund revenues and expenditures.

- Revenues related to development, recreational activity, travel, etc. are expected to experience a gradual recovery.
- Reduced capital project activity may limit expenditure offsets (Charges to Others) for qualifying expenditures including materials and staff time to individual capital project accounts in Special Revenue and Capital Project funds (e.g. Special Gas Tax).
- Fund Subsidies to the Convention Center and Entertainment Funds may be higher than expected if activity levels do not return to pre-pandemic levels.



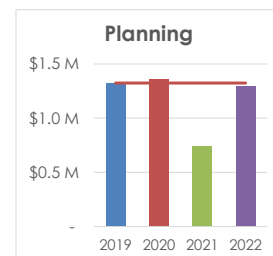
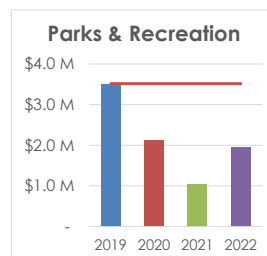
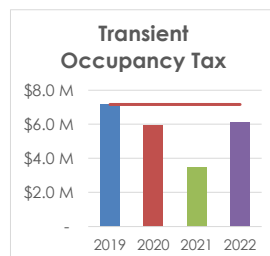
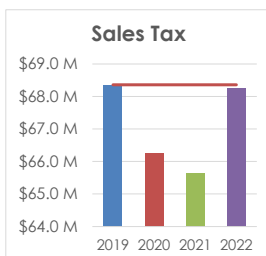
5

RiversideCA.gov

5

Major Revenue Assumptions

Although meaningful recovery is anticipated in FY 2021/22, we still expect pandemic impacts on some General Fund revenues. The largest projected impacts are:



6

RiversideCA.gov

6

Major Revenue Assumptions (con't)

Other major revenue assumptions include:

- Property Tax: 2.5% growth over FY 2020/21
- Other Financing Sources: Not usually budgeted, but based on ongoing conversations to sell City property, projected at a conservative \$1 million.

BALANCING MEASURE: \$6 million increase in Measure Z contributions to a total \$24.3M.



7

RiversideCA.gov

7

Expenditure Methodology

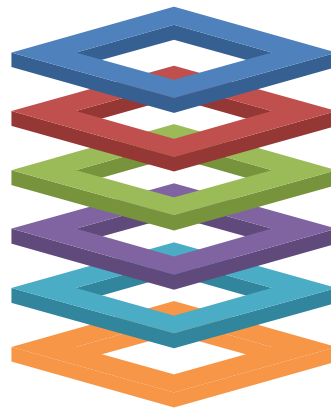
Personnel
Employee demographics (pay rate, annual merit, benefit elections); Worker's Compensation rates; 2% CPI for unknown impacts of MOU negotiations.



Non-Personnel
Departments: Flat against FY 2019/20 adopted budget. Required non-departmental for insurance rates and software maintenance costs.



Fund Subsidies
Convention Center and Entertainment Fund (Fox Block) subsidies set to pre-pandemic estimates; venues expect to return to normal in FY 2021/22.



Required Debt & UAL Payments
Updated with 2020 POB impacts to match debt service schedules and CalPERS required UAL payments.



Charges to Others
Expenditure offsets for qualifying expenditures to capital projects reduced based on trend analysis and potential pandemic impacts on capital project activity.



Cheech Marin Art Museum
Estimated \$800,000 fund subsidy based on recommended management agreement, maintenance, and utilities.

BALANCING MEASURE: \$12 Million Vacancy Savings.

8



RiversideCA.gov

8

General Fund Baseline Budget Summary

(Rounded to millions)

	Projected FY 2019/20	Adopted FY 2020/21	Projected FY 2020/21	Baseline FY 2021/22
Total Revenue & Transfers In	\$ 279.7	\$ 271.4	\$ 286.7	\$ 291.5
Total Expenditures & Transfers Out	280.5	271.4	271.1	288.6
Surplus/(Deficit)	\$ (0.8)	\$ -	\$ 15.6	\$ 2.9
Beginning Reserves	\$ 56.0	\$ 70.2	\$ 70.2	\$ 70.2
Surplus/(Deficit)	(0.8)	-	15.6	2.9
Other Budgetary Balances & Changes in Fund Balance*	15.0	-	-	-
Ending Reserves	\$ 70.2	\$ 70.2	\$ 85.6	\$ 70.2

*\$17 million in cumulative budgetary savings including prior year carryovers, less projected current year carryovers and other required changes in fund balance.

9

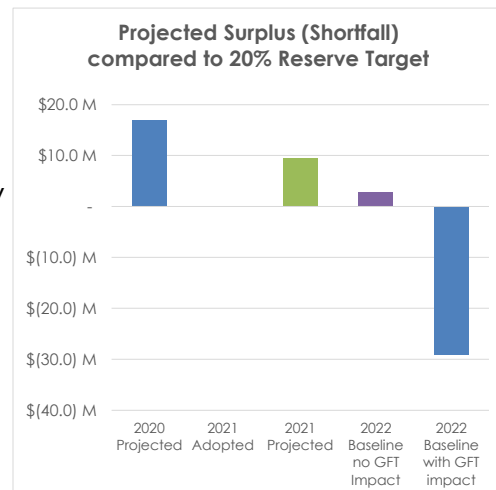


RiversideCA.gov

9

General Fund Reserves

- FY 2019/20 unaudited results: \$17 million savings/surplus reserves
- FY 2020/21 adopted budget balanced with no anticipated use of reserves.
- FY 2020/21 revised projections: Potentially \$9.4 million excess fund reserves at fiscal year-end
 - Due to uncertainty of pandemic impacts, not recommended for baseline budget use
- FY 2021/22 Baseline: \$2.8 million surplus prior to contingency planning for the potential loss of the GFT revenue source.



10



RiversideCA.gov

10

Electric General Fund Transfer

- Trial court ruling (not a judgment) that a portion of the transfer is invalid.
- No ruling yet on damages or a remedy
- The trial court judgment, once issued, would still be subject to appeal.
- Court has tentatively indicated that \$19 to \$32 million of the transfer is invalid
- The Electric General Fund Transfer at risk for loss represents between 6.7% and 11.4% of total FY 2019/20 revenues.
- Once the judgment becomes final, staff will return to the Committee with a summary of any financial impact and the City’s plan to address that financial impact



11

RiversideCA.gov

11

Measure Z Baseline Budget Summary

(Rounded to millions)

	Projected FY 2019/20	Adopted FY 2020/21	Projected FY 2020/21	Baseline FY 2021/22
Total Revenue	\$ 63.1	\$ 61.8	\$ 63.6	\$ 65.7
Total Spending Items	80.5	67.6	63.8	61.2
Surplus/(Deficit)	\$ (17.3)	\$ (5.9)	\$ (0.2)	\$ 4.5
Beginning Reserves	\$ 39.5	\$ 22.2	\$ 16.3	\$ 16.1
Surplus/(Deficit)	(17.3)	(5.9)	(0.2)	4.5
Ending Reserves	\$ 22.2	\$ 16.3	\$ 16.1	\$ 20.6



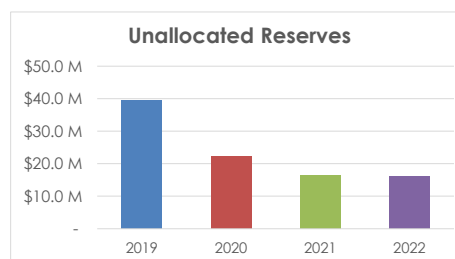
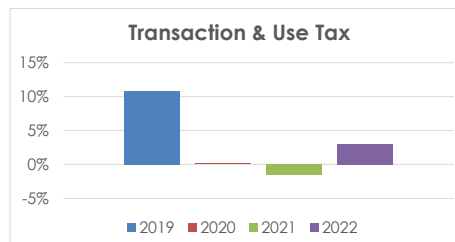
12

RiversideCA.gov

12

Measure Z Baseline Spending Plan

- Updated FY 2019/20 to report projected (unaudited) results
- FY 2019/20 projected unallocated fund balance \$22.2 million (\$8.2 million higher than original projections)
 - Staff recommends using \$6 million as a balancing measure to offset impacts of the pandemic on General Fund revenues
- Baseline revenue projections:
 - FY 2020/21: 1% loss as compared to FY 2019/20 actuals
 - FY 2021/22: 2.5% growth over FY 2020/21 revised projection



13



Measure Z Spending Priorities

BEC requested:

- Long-term strategy for the allocation of Measure Z revenues
- Review current spending items and potentially re-prioritize allocated amounts

14



Next Steps – Budget Timeline

	Dec	Jan	Feb	Mar	Apr	May	June
Department Budget Entry	█						
Internal Review		█					
Public Outreach, Department Presentations to the BEC, and Council Workshop			█				
Proposed Budget to BEC and Council					█		
Final Budget to BEC, Council Budget Adoption						█	



15

RiversideCA.gov

15

RECOMMENDATIONS

That the Budget Engagement Commission:

1. Provide input on the balancing measures incorporated into baseline budgets to address the General Fund structural deficit and potential pandemic impacts; and
2. Review the Measure Z Spending Plan, providing recommendations on the priority of current spending items and a long-term strategy for the use of Measure Z funds.



16

RiversideCA.gov

16