



FY 2016-2018 Two-Year Budget: FY 2016-17 4th Quarter Update

Finance Department

City Council
November 14, 2017

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EXECUTIVE SUMMARY

In December 2015, the City Council approved the move to a two-year budget in the context of a five-year plan. Since that time, the City Council has been:

1. Presented with reports on the City's unfunded needs;
2. Approved departmental reductions;
3. Established a Budget Engagement Commission (BEC);
4. Adopted a Responsible Spending Pledge; and
5. Led the charge for the passage of Measure Z.



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EXECUTIVE SUMMARY

The culmination of City Council actions, combined with strong executive leadership, have:

1. Laid a new, stronger, financial foundation for the City; and
2. Resulted in a recent upgrade of the City's general obligation bond rating from A+ to AA- by S&P.



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EXECUTIVE SUMMARY

1. The City laid out an aggressive plan for financial accuracy and accountability;
2. With the adoption of the Five-Year Measure Z Spending Plan in May 2016, the City made financial and operational promises to the Riverside community;
3. The City ends FY 2016-17 with a financial position that follows through on the promises made:
 - a) General Fund Reserve of \$41.5 million (15.3%); and
 - b) Fund other unfunded needs (e.g. capital repairs and Self-Insurance Trust Funds Reserve).



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GENERAL FUND BOTTOM LINE

The Fourth Quarter analysis projects the City will be in a surplus position by year-end of approximately \$5.6 million, due to:

1. Better than anticipated revenues in FY 2016-17; and
2. Strong fiscal management on the expenditure side.



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GENERAL FUND REVENUES (4TH Quarter)

1. Sales Tax – \$1.5 million lower;
2. Property Tax – \$1.2 million higher; and
3. Franchise Fee – \$460,000 lower.



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GENERAL FUND REVENUES (4TH Quarter)

1. General Fund Transfers:
 - a) \$900,000 higher; and
 - b) Recovery of Sewer expenditures in the Liability Fund.
2. Charges for Development and Building Services:
 - a) \$330,000 higher.
3. Entertainment Revenues:
 - a) \$1.6 million higher; and
 - b) Mostly offset by expenditure increases.



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GENERAL FUND REVENUES (4TH Quarter)

1. Charges for Services revenue:
 - a) \$360,000 higher.
2. Fines and Forfeits:
 - a) \$575,000 higher.
3. Intergovernmental Revenue:
 - a) \$475,000 higher; and
 - b) Offset by expenditures.
4. Other Miscellaneous:
 - a) \$1.25 million higher.



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GENERAL FUND EXPENDITURES (4TH Quarter)

1. Fire Department:
 - a) A reduction of \$300,000; and
 - b) Constant staffing related overtime and retirement payoffs are projected to exceed the FY 2016-2017 personnel budget by \$900,000.

2. Police Department:
 - a) A reduction of \$300,000; and
 - b) Overtime and retirement payoff are projected to exceed the FY 2016-17 personnel budget by \$880,000.



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GENERAL FUND EXPENDITURES (4TH Quarter)

1. Non-Departmental:
 - a) Increase of \$208,000; and
 - b) Overages in property maintenance and employee parking.



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MEASURE Z : FY 2016-2017

1. May 16, 2017 - City Council approved Five-Year Spending Plan:
 - a) Estimated Revenues of \$10 million;
 - b) General Fund Reserves (\$9.5 million);
 - c) Fire Squad (\$450,000); and
 - d) Ward Action Team (\$50,000).

2. FY 2016-17 Actual Revenues:
 1. \$12.6 million; and
 2. \$2.6 million fund balance.



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CARRYOVERS

1. The FY 2016-2018 Two Year Budget: City's Manager's Budget Message (carryovers);
2. End of Year 1: Departments with savings will automatically carry over the unspent funds to the second year:
 - a) Departments that overspend in the first year will not be given higher budget allocation in the second year; they will have less to spend.
3. End of Year 2: Departments with savings will be able to retain 50% of the unused funds for capital or other one-time needs:
 - a) Other 50% will be used to balance the General Fund, or returned to the General Fund reserves.
4. Council direction to Implement policy with 4th Quarter Financial Update.



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END-OF-YEAR FINANCIAL MANAGEMENT ACTIONS

1. A hallmark of the FY 2016-2018 Two-Year Budget and Five-Year Plan was the identification of long-term needs and unfunded liabilities; and
2. The City is in a position to address certain critical unfunded needs:
 - a) Convention Center (\$140,000);
 - b) Fox Entertainment Plaza (\$70,000);
 - c) Riverside Municipal Auditorium (\$70,000); and
 - d) City facility maintenance (\$1 million).



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END-OF-YEAR FINANCIAL MANAGEMENT ACTIONS

Staff recommends the allocation of \$2.5 million to the City's Self-Insurance Trust Funds Reserve:

1. Self-Insurance Trust Funds Reserve Policy establishes a minimum reserve level of 40% by June 30, 2018 and 50% by June 30, 2020 (Finance Committee – October);
2. Currently 32% funded;
3. Assistance from the infusion of Measure Z dollars (\$5 million); and
4. Self-Insurance Trust Funds Reserve Policy will be presented to the City Council for approval on November 28, 2017.



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CARRYOVERS

- 1. Total - \$7.9 million;**
- 2. General Fund - \$4 million:**
 - a) City Attorney - \$800,000;
 - b) Human Resources - \$770,000;
 - c) Innovation and Tech. - \$1.4 million; and
 - d) Public Works \$650,000.
- 3. Non-General Fund - \$3.9 million:**
 - a) RPU totals \$1.7 million; and
 - b) Sewer \$1.5 million.



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DEBT AND INVESTMENT REPORTS

1. The quarterly investment report is included in this report:
 - a) Report shows cash balances by fund;
 - b) No fund's cash balance is currently a major concern; and
 - c) Staff proposal to increase Self-Insurance Liability Fund Reserve.
2. The quarterly debt report is included in this report:
 - a) 2017A POBs issued in June 2017; and
 - b) There have been no major additional changes to the City's debt portfolio through June 30, 2017.



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RECOMMENDATIONS

That the City Council:

1. Receive and provide input on the attached FY 2016-17 Fourth Quarter Financial Report for the General Fund, Measure Z, cash and investment report, and debt report;
2. Approve for carryover into fiscal year 2017-18, the balance of previously appropriated and unspent funds totaling \$7,916,112 across all funds, including \$4,012,960 in the General Fund (See Attachment D);



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RECOMMENDATIONS

3. Approve FY 2017-18 appropriations from FY 2016-17 General Fund surplus for capital needs at the Convention Center (\$140,000 – account no. 2250000-462050), Fox Entertainment Plaza (\$70,000 – account no. 5310100-462050), and Riverside Municipal Auditorium (\$70,000 – no. 5310200-462050), Citywide Building repair and maintenance (\$1 million – account no. 2210000-470020), and Liability Funds Reserve (\$2.5 million – account 0000620-298000); and
4. Approve a FY 2016-17 increase in revenue and supplemental appropriations for two \$25,000 Historic Preservation Fund grants in the Parks, Recreation and Community Services Department for the Harada House project (\$25,000 – account no. 9895710-339000 and 9895710-440309) and in the Museum for the Heritage House Project (\$25,000 – account no. 9848510-339000 and 9848510-440301).



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