CITY OF RIVERSIDE

City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS **DATE: MAY 14, 2026**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: FISCAL YEAR 2025/26 SECOND QUARTER FINANCIAL REPORT; NET REVENUE ADJUSTMENTS OF $4,346,713, SUPPLEMENTAL APPROPRIATIONS/INTERFUND TRANSFERS OF $4,862,788; INTERDEPARTMENTAL TRANSFERS OF $2,052,951

ISSUE:

That the Budget Engagement Commission recommend the City Council receive and provide input on the Fiscal Year (FY) 2025/26 Second Quarter Financial Report; approve revenue adjustments of $4,346,713, proposed supplemental appropriations/interfund transfers of $4,862,788 and interdepartmental transfers of $2,052,951 across various City funds.

RECOMMENDATIONS:

That the Budget Engagement Commission recommend the City Council:

1. Receive and provide input on the FY 2025/26 Second Quarter financial update; and

2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record:

    a. An overall net increase in revenue in the General Fund in the amount of $4,566,713 in various revenue categories and an overall net decrease in revenue in the amount of $220,000 in the Measure Z Fund;

    b. A supplemental appropriation in the amount of $2,630,000 in the General Fund for various programs, designate $774,900 to the Water General Fund Transfer Escrow, and a supplemental appropriation in the amount of $250,000 in the Measure Z Fund;

    c. A supplemental appropriation and interfund transfer in the amount of $781,533 from General Fund Infrastructure Reserves to the Capital Outlay Fund, Bordwell Park Project;

    d. Various interdepartmental transfers in the amount of $2,052,951;

e. Supplemental appropriations, operating transfers, revenue adjustments, and all other accounting entries from the General, Capital Outlay, CFD Riverwalk Vista, and Redevelopment Successor Agency (RDSA) Bond Funds in the amount of $426,355 to support a pending receivable in RDSA 2007 Bond fund. This operating transfer will be offset by available CFD bond proceeds that will offset the costs of an existing Parks capital project and result in a net zero impact on the General Fund;

BACKGROUND:

On June 17, 2025, the City Council adopted Resolution No. 24273 approving the amended Fiscal Year (FY) 2025/26 of previously adopted FY 2024-2026 Biennial Budget.

On February 24, 2026, the City Council received the First Quarter Financial Report for FY 2025/26.

DISCUSSION:

Throughout the fiscal year, City departments and the Budget Office monitor and analyze all City funds for potential issues that require attention and mitigating action. For the second quarter report, City departments analyzed the financial status for all funds and appropriations under their purview. The results of the City's major funds, as well as areas of potential concern in other funds (if any), are included in this report. This update spans the period of July 2025 through December 2025.

General Fund

Second quarter financial results remain largely consistent with the First Quarter Financial Report presented to Council in February 2026. Revenue trends continue to reflect slowing growth across several categories, placing ongoing pressure on the General Fund. Absent significant economic changes, this lower-growth environment is expected to persist, consistent with patterns observed during FY 2024/25.

While most revenue sources continue to show modest growth, a few exceptions remain. Although some revenues are expected to exceed forecasted projections, there is a continued need to fund additional expenditures that will be supported by these increases.

One new factor of uncertainty that has recently emerged is the United States' military engagement with Iran. The most significant impact being the disruption of oil supply through the Strait of Hormuz, which according to the International Energy Agency, represents a corridor that carries approximately 20% of the global oil supply.

This development has caused an immediate impact on fuel prices, which have not been factored into the revenue projections, specifically sales tax. The increase in oil prices, and by direct correlation fuel prices, should represent an increase in the general sales tax revenues, the extent of this impact remains uncertain.

Additionally, the broader ripple effects of rising energy prices are unclear. These increases may contribute to inflation and higher costs for goods that rely on oil for production and transportation.

This uncertainty may further influence business and consumer spending outside of fuel purchases.

Staff is actively monitoring this new development to assess their potential effects on revenues and expenditures, both positive and negative.

Labor costs related to renewed Memorandum of Understanding (MOU) agreements with various labor unions, increased public safety overtime costs, and inflationary costs, continue to pressure City expenditures.

Adopted Budget: The adopted FY 2025/26 budget for the General Fund totaled $371.8 million with a balanced budget. As of the second quarter review of the budget, one notable trend continues and that is the increase in overtime costs related to public safety. This, compounded with newly agreed MOUs, has placed additional pressure on General Fund personnel expenditures. A few revenue categories are expected to exceed budgeted revenue projections and can support these additional expenditure needs. Staff include various recommendations in this report to address this, and other issues related to both revenue and expenditure adjustments, while still achieving a balanced budget.

Revenues: Fiscal Year 2024/25 year-end reflected a slowing of revenue growth in the General Fund, particularly in sales tax. Through the second quarter of FY 2025/26, revenue is generally in line with budgeted expectations. Despite signs of economic softening, overall revenue performance shows no significant deviations from the adopted budget. Some minor adjustments to revenues are recommended below:

General Fund Revenue-FY 2025/26
(in thousands)

Revenue Category	Adopted Budget	Proposed Adjustments	Year End Projections	%Change
Property Taxes	$ 96,473	$ 1,500	$ 97,973	1.6%
Sales Tax	94,092	880	94,972	0.9%
Cannabis Tax	1,000	(750)	250	-75.0%
Utility Users Tax	37,121	(800)	36,321	-2.2%
Transient Occupancy Tax	8,927	-	8,927	-
Franchise Fees	7,160	(1,000)	6,160	-14.0%
Licenses & Non-Dev. Permits	11,106	1,000	12,106	9.0%
Non-Dev. Charges	12,214	-	12,214	0.0%
Dev. Fees & Charges	9,735	(2,000)	7,735	-20.0%
General Fund Transfer	56,199	3,129	59,328	5.6%
Measure Z Transfer	25,633	-	25,633	-
Other Revenues/Transf In	22,498	2,608	25,106	11.6%
Total Revenues & Transf. In	**$382,157**	**$ 4,567**	**$ 403,548**	**1.19%**

- **Property Taxes** – The City continues to experience growth in Property Tax revenue. Although there is continued slower revenue growth related to property transfer taxes (sales of homes) and reassessments, Successor Agency Property tax receipts have continued to trend higher than budgeted expectations. Staff recommend increasing Property Tax revenue projections by $1.5 million to account for increased growth in Successor Agency Property Tax revenues.

- **Sales Tax** – The second quarter sales tax receipts reflect a 5.9% growth over the same period last fiscal year. However, based on information from our sales tax consultant, HdL, this is primarily due to one-time allocation corrections with a trend toward slower growth. Staff recommend increasing Sales Tax revenue projections by $880,000 to align updated projections provided by HdL.
- **Cannabis Business Tax** – The adopted budget included a $1 million revenue projection for Cannabis Business Tax in anticipation of businesses coming online. As of March 2026, only 1 retail cannabis business opened with a potential for 2 additional cannabis businesses before fiscal year end. Staff recommend decreasing Cannabis Business Tax revenue projections by $750,000 to account for the continued delay in operational businesses.
- **User Utility Tax and Franchise Fees** – Staff recommend decreasing Utility Users Tax revenue projections by $800,000 and Franchise Fee revenue projections by $1 million. This reduction is primarily attributable to declining Cable TV revenues, which affect both revenue sources, as well as decreases in electric utility users tax and general franchise fee revenues.
- **Business License Tax** – The second quarter review of Business License Tax revenues reflects performance above budgeted projections. Revenues reached 62% of the annual budget, representing an 18% increase compared to the same period in the prior fiscal year. This increase is primarily attributable to one-time revenues associated with business license tax settlements. Staff recommend increasing Business License Tax revenue projections by $1 million to reflect this one-time revenue.
- **Development Fees and Charges** – The City is continuing to experience a decline in development fees and charges. Revenues are at 34% of total budget, which is 4.8% less than the revenues as of the second quarter of the prior fiscal year. Staff recommend decreasing development fees and charges revenue projections by $2 million to align with actual trends.
- **Electric and Water General Fund Transfer (GFT)** – The Riverside Public Utilities department finalized FY 2025/26 General Fund Transfers based on actual gross operating revenues with actuals through June 2025. Staff recommend increasing revenue projections in Electric GFT by $2,353,900 and Water GFT by $774,900 to align with actuals. Staff also recommend continuing to escrow all Water GFT revenues pending outcome of current litigation.
- **Other Revenues** –
    - Various other revenue sources are trending lower when compared to prior year's second quarter performance including, but not limited to, fines and forfeitures, and transient occupancy tax. These revenue decreases are being offset by higher performing revenue across other categories such as non-development fees and charges, and interest earnings. Staff recommend the following additional budget adjustments to various other revenue projections.
        - Interest Income: $1,795,000 increase
        - March Joint Powers Authority Land Sales: $312,500 increase
        - Administrative Civil Penalties: $500,000 increase

Expenditures: As of the second quarter, overall expenditures as a percentage of budget are generally trending in line with the same period of the prior fiscal year. However, it's important to note that some expenditures cannot be directly compared quarter-over-quarter between fiscal years. For example, professional service expenditures in the non-personnel category may vary due to services being contracted on an 'as-needed' basis or the timing of project implementations.

Personnel – The personnel expenditure budget includes a 6% vacancy savings factor (equivalent to approximately $15.9 million for General Fund) within a non-departmental fund account, freeing funds for other City priorities. However, all positions are fully budgeted within their respective departments. At the close of the second quarter, the General Fund reflected a vacancy rate of 10.0%. However, it is important to note that vacancy rates, in terms of full-time equivalents (FTEs), do not directly equate to dollar savings. Actual savings will depend on the salary and benefit costs of vacant positions.

- Police Overtime Costs—Second quarter analysis of overtime trends demonstrates that, similar to last fiscal year, the Police Department overtime costs are trending higher than budget. This is due to a combination of increased overtime related to protests, training, after-hour homicides, increased operations in the Magnolia Corridor, and salary increases. Staff recommend a supplemental appropriation of $2.6 million in the General Fund to support increased Police Department overtime costs. Staff will continue to monitor personnel costs, providing updates in future quarterly reports.

Non-Personnel – Non-personnel expenses are challenging to project due to fluctuations in the timing of expenditures throughout the fiscal year, as well as the common occurrence of unexpended funds being carried over at the end of the fiscal year. As of the second quarter, expenditures are expected to align with budgeted expectations.

Staff recommend the following additional General Fund supplemental appropriations:

- America 250 Celebration—Staff recommend a supplemental appropriation of $30,000 in the General Fund for various non-personnel costs to support efforts associated with the America 250 Celebration.

- Bordwell Park Gym—Staff recommend a supplemental appropriation of $781,533 from the General Fund Infrastructure Reserve to support increased costs associated with the Bordwell Park Gym project. This includes but is not limited to increased costs for a geotechnical consultant, electrical infrastructure upgrades, and domestic water meter/line upgrades. This amount is within the construction contingency previously approved by City Council.

Through the second quarter, the City Council approved the following supplemental appropriations totaling $4.76 million in the General Fund:

- Expedited Plan Check Services (Net Zero) – $200,000 supplemental appropriation offset by an equivalent amount of revenue for a deposit-based program that allows private developers to obtain expedited plan check services when in-house staff are unable to accommodate the request.

- Various Personnel Adjustments (-$511,030) – Net savings from the reduction of personnel in Housing and Human Services, Community and Economic Development, partially offset by increase in personnel in the Fire Department.

- Hawarden Fire Program ($28,843) – Assistance provided by the Riverside County Fire Department during the Hawarden Fire Incident.

- Fire Inspections (Net Zero) – Cost recovery billing services agreement for Fire Prevention Inspections with Fire Recovery USA, LLC. Revenue generated will offset cost of agreement, which is estimated to be approximately $143,600 annually.

- Festival of Lights ($300,000) – Agreement with the Riverside Arts Council for the administration and management of the Festival of Lights.

- Various Labor Agreements ($3.51 million) – Increased costs associated with newly ratified Memorandum of Understanding with the Service Employee International Union (SEIU) and unrepresented employees. These costs are anticipated to be offset by anticipated salary and benefit growth that was built into the adopted budget.

- Colantuono, Highsmith and Whatley ($83,000) – for a budget increase for outside counsel representing the City in the case of *Simpson v. City of Riverside*.

- Paramedic Program Medical Consulting Services ($30,000) – Transfer from Paramedic Equipment Refresh Special Deposits account to General Fund for the Fire Departments Paramedic Program for Medical Consulting Services. Funding is provided from the Special Deposits Fund, with no net impact to the General Fund.

- Shute, Mihaly & Weinberger ($250,000) – for outside counsel to handle the appeal of *City of Riverside v. The Regents of the University of California*.

- Evidence Trust Fund ($112,309) – Transfer from Evidence Trust Funds Special Deposit account to General Fund for the Police Department to use for equipment and supplies. Funding is provided from the Special Deposits Fund, with no net impact to the General Fund.

- Salvation Army Emergency Food Access Program (Net $0) - Reallocate $100,000 from the Senior Supplemental Rental Assistance Program to The Salvation Army Emergency Food Access Program to provide food assistance to City of Riverside residents who are participants in the Supplemental Nutrition Assistance Program and federal employees financially impacted by the federal government shutdown.

- Office Inspector General (Net $0) – Reallocate budget from City Manager’s Internal Audit Division to the newly created Office Inspector General Department.

- Animal Field and Shelter Services ($816,000) – Agreement with the County of Riverside for animal field and shelter services.

- Public Safety Realignment Reimbursement (Net $0) – Agreement with the County of Riverside Probation department for the Post-Release Accountability and Compliance Team allowing reimbursement of City personnel costs related to Public Safety Realignment.

- City Manager’s Office, Ballot Measure Community Outreach and Education Materials ($195,000) – Funding to support the preparation and distribution of informational materials and community outreach related to the ballot measure.

Throughout the second quarter, the City Council approved supplemental appropriations of $4.20 million from the General Fund Infrastructure Reserve:

- City Hall Elevator Modernization ($1.58 million) – Agreement with Otis Elevator Company for the modernization of elevators at City Hall.
- Eastside Library Project ($1.00 million) – Construction of the SPC Jesus S. Duran Eastside Library. Agreement with Horizons Construction Company for the demolition, hazardous material abatement, and new construction of the facility.
- Airport Master Plan Project ($976,530) – Professional Services Agreement with Coffman Associates, Inc. for the preparation of the Airport Economic Impact Study/Development Plan and Master Plan for the Riverside Airport.
- Electric Trucks from Voltu Motor, Inc. ($642,500) – Purchase of trucks from Voltu Motor, Inc and design, construction and installation of level 2 chargers.

Summary: Through the second quarter, the General Fund remains generally aligned with the budget adopted in June 2025. While staff continue to monitor signs of slowing growth in several major revenue streams, no significant deviations have been identified to date. Variances in revenue performance remain mixed, with gains in some areas partially offset by declines in others, along with increased expenditure demands.

A key area of concern is the continued growth in personnel costs, particularly within public safety departments, including sustained elevated overtime levels consistent with the prior fiscal year. This expenditure is increasing at a pace that exceeds current revenue growth, driven by recent labor agreements and ongoing operational demands.

Proposed revenue and expenditure adjustments are outlined later in this report. While these adjustments maintain a balanced budget, fiscal uncertainty remains, and staff recommend continued restraint in unallocated spending.

Measure Z

The adopted FY 2025/26 budget for Measure Z totaled $107.3 million, which includes a budgeted net drawdown of $23.2 million, and projected ending balance of $12.7 million. Separately, $5.00 million is held in contingency reserves per the adopted Measure Z Reserve Policy to ensure sufficient funding for ongoing costs in the event of under-performing revenues.

As of the second quarter, Measure Z is projected to end FY 2025/26 with $24.34 million in fund reserves, resulting from a net drawdown of $64.52 million, which includes encumbrances and carryovers from prior years, supplemental appropriations, and recommended second quarter adjustments.

Revenues: Since its approval in 2017, the Measure Z Transaction and Use Tax has grown steadily, peaking at $84.02 million in FY 2022/23. In FY 2023/24, revenues declined 2.5% to $81.90 million from the prior fiscal year, marking the first revenue drop since Measure Z's inception. In FY 2024/25, revenues continued to decline, falling by 0.7% to $81.33 million.

As of the second quarter, revenues are continuing to slightly underperform budgeted expectations. The continued lower growth rates within the City are evident in the continued softening of the Measure Z tax receipts. Although second quarter results show a 1% increase in Transaction and Use Tax revenues compared to prior fiscal year, this growth rate is lower than budget.

Staff recommend a $1.42 million reduction to Measure Z sales tax projections. However, interest earning is expected to exceed budgeted revenue projections. As such, staff recommend a $1.2 million increase in Measure Z interest earning revenue, which partially offsets the decreased sales tax revenue projections. This results in a total net revenue decrease of $220,000.

Measure Z Revenue-FY 2025/26 (in thousands)				
Revenue Category	**Adopted Budget**	**Proposed Adjustments**	**Year End Projection**	**% Change**
Sales Tax	$ 83,296	($1,420)	$ 81,876	-1.7%
Interest Earnings	800	1,200	2,000	150.0%
Total Revenues & Transf. In	**$84,096**	**($220)**	**$ 83,876**	**-0.3%**

Expenditures: The total budget presented in the Measure Z Spending Plan includes carryovers of $44.44 million, comprised of encumbrances of $22.12 million, capital carryovers of $16.5 million, and $5.83 million of approved discretionary carryovers. Measure Z funds include many projects and one-time expenditures, causing quarterly actuals to appear to be trending behind budget. However, spending is progressing as planned and within appropriation limits.

Through the second quarter of FY 2025/26, the City Council approved supplemental appropriations totaling $655,077, in Measure Z including:

- Riverside Fire Department SCBA Conversion kits ($371,284) – Increase Measure Z Fire Operations account to purchase Self Contained Breathing Apparatus conversion kits.
- Various Labor Agreements ($283,793) – Increased costs associated with newly ratified Memorandum of Understanding with SEIU and unrepresented employees.

Midyear Adjustments

- Police Headquarters Debt Service—A decrease of $4,205,941 of debt services payments associated with the new Police Headquarters Project, which are now anticipated to begin in FY 2026/27.
- One Stop Shop Refresh—The 2024 biennial budget included $1.2 million to support a refresh of one-stop shop technology, which was anticipated to be repaid over 5 years. The refresh was put on pause and the funding was pulled back. Therefore, staff recommend also eliminating the anticipated repayment of that funding.

Electric Fund

The FY 2025/26 adopted budget for the Electric Fund projects a $13.5 million net gain, excluding bond proceeds and capital project allocations and a net draw on fund reserves of approximately $55.3 million when including budgeted bond proceeds and capital expenditures. The total budget as of second quarter includes $18.4 million in prior year encumbrances and carryovers.

Revenues: As of the end of the second quarter, electric revenues stand at 54.5% of budgeted projections and are expected to meet budgeted amounts. With the summer season at the beginning of the fiscal year, projected retail sales were expected to be 53.2% or $217.7 million of total budget through December 2025. Retail sales are 52.4% or $214.8 million of total budget through December 2025, which is 0.8% or $3.0 million lower than expected. The lower than anticipated retail revenues are a result of decreased electric consumption attributed to milder temperatures throughout the second quarter of the fiscal year. Transmission revenues are projected to perform below budget by 7.6% or $2.1 million due to a decrease in the Transmission Revenue Requirement (TRR) rate reflective of a decrease in SCE transmission costs. The TRR revenues are based on the transmission load multiplied by the TRR rate.

Expenditures: Electric expenditures are 49.9% of the total budget at the end of the second quarter. The Electric Fund had 60.00 FTE vacancies at the end of the second quarter, representing a vacancy rate of 12.7%. Personnel savings are anticipated from normal attrition due to retirements and resignations, as well as the timing of filling positions. Within the non-personnel budget, overall costs are in line with the adopted budget.

Water Fund

The FY 2025/26 adopted budget for the Water Fund projected an $11.7 million net gain excluding capital expenditures and a net draw on fund reserves of approximately $22.8 million when including budgeted capital expenditures. The total budget as of second quarter includes $9.8 million in prior year encumbrances and carryovers.

Revenues: At the end of the second quarter, total revenues for the Water Fund are 76.0% of budgeted projections. With the summer season at the beginning of the fiscal year, projected retail sales were expected to be 55.9% or $48.8 million of total budget through December 2025. Retail sales are 56.5% or $49.4 million of total budget through December 2025, which is 0.6% or $0.5 million higher than expected. Increased water consumption appears to be driven by below-average precipitation through the second quarter of the fiscal year. Increased water retail sales do not have a corresponding increase in water expenses. Weather, including precipitation, can significantly impact retail revenues, which will be monitored throughout the remainder of the fiscal year.

Expenditures: At the end of the second quarter, Water Fund expenditures stand at 44.7% of the budget. As of the same period, the Water Fund had 22.00 FTE vacancies, representing a vacancy rate of 13.3%. Personnel savings are anticipated from normal attrition due to retirements and resignations, as well as the timing of filling positions. Non-personnel expenditures are trending lower than last year’s level as a percentage of budget; however, it is important to note some expenditures vary in their timing throughout the fiscal year. Overall, water expenditures are projected to remain within the budgeted appropriation limit at fiscal year-end.

Refuse Fund

The FY 2025/26 adopted budget for the Refuse Fund projects a net loss of approximately $1.8 million due to higher disposal costs and the first-year repayment of a loan provided by the General Fund infrastructure reserve used to support solid waste vehicle purchases that is expected to be fully repaid by 2028. The total budget as of the second quarter ended also includes $6.8 million in prior fiscal year encumbrances and carryovers. Of this amount, $5.2 million is associated with pending vehicle purchases that are funded by revenue that was recognized in FY 2022/23 and moved to fund balance. The Refuse Fund’s reserve balance is expected to be sufficient to accommodate the current fiscal year deficit. Although the total budget appears to reflect a $10.0 million loss, this is primarily due to the carryover and timing of when the revenue associated with vehicle purchases was recognized.

Revenues: At the end of the second quarter, total revenues for the Refuse Fund are 51.9% of budgeted projections and are generally in line with percentage of revenue received by the second quarter of last fiscal year. Second quarter analysis indicates that Refuse revenues are generally on track to meet expectations and align with budgeted projections for the fiscal year.

Expenditures: Expenditures are 43.4% of total budget at second quarter end. During this period, the Refuse Fund continued to experience staffing shortages with 9.00 FTE vacancies, constituting a vacancy rate of 13.4%. The personnel savings were partially offset by new vehicle expenditures from prior year carryovers that took place in first half of the fiscal year.

Sewer Fund

The FY 2025/26 adopted budget projects a net gain of $0.98 million excluding capital expenditures but anticipates a total draw on fund reserves of approximately $2.9 million when including capital expenditures. The total budget for the second quarter also includes $2.5 million in prior fiscal year encumbrances and carryovers.

Revenues: At the end of the second quarter, total revenues for the Sewer Fund are 40.4%, which is 4.8% lower than revenues received as of the second quarter in the prior fiscal year. Second quarter analysis indicates that the Sewer Fund will underperform in revenue due to a continued decline in the new Sewer Connection Fee category, which is linked to reduced construction activity and lower than anticipated development in the City. Other categories within the Sewer Fund are also expected to slightly underperform projections. Staff will continue to monitor the connection fees and assess their impact on overall revenue projections for the remainder of the fiscal year.

Expenditures: Expenditures are 51.5% of the total budget at the end of the second quarter. During this period, the Sewer Fund had 16.00 FTE vacancies, constituting a vacancy rate of 13.2%. Vacancies savings are anticipated to be offset by increased overtime to meet operational needs. However, personnel expenditure projections remain within budgeted forecasts, and no adjustments are anticipated at this time.

Public Parking Fund

The FY 2025/26 adopted budget for the Public Parking Fund projects a net gain of $1.6 million excluding capital but anticipates a net gain of approximately $0.75 million when including capital expenditures. The total budget as of second quarter includes $249,537 in prior year encumbrances and carryovers.

Revenues: Overall revenues for the Parking Fund are at 46.6% and are expected to meet projected revenue.

Approximately 60% of revenues come from garages, lots, and metered parking. On July 1, 2023, the revised Park Riverside program went into effect which included a restructured parking rate schedule, adjusted operating hours and days, robust monthly permit options, 30-60 minutes free parking in nearly 4,000 on-street, metered lots and garage spaces. The Park Riverside program included improvements in public safety/security in the parking garages with 24/7 roaming security patrols, installing upwards of 100 surveillance cameras in all five parking garages, repairing café lighting in the adjacent alleyways, improving garage and lot lighting, and the commitment to work with RPD to address all known safety, criminal and vandalism incidents. The Park Riverside program included improvements in cleanliness in the parking garages with a regimented weekly power washing schedule in the stairwells and adjacent sidewalks, monthly power washing of the parking decks and bi-monthly sweeping of the parking decks. As of the second quarter, revenues are increasing due to the nightly flat rate and monthly parking rate increase but are being offset by a decrease in volume.

Parking citations make up approximately 29% of revenue. Recent increase in revenues reflects full reinstatement of enforcement coming out from the COVID-19 restrictions, increased staffing and shifting enforcement to City-Wide tasks on days where enforcement was impacted by unreliable street sweeping equipment. Citation revenues are expected to level off as the new street sweeper equipment will allow Parking Services to more consistently enforce street sweeping. As of the second quarter, revenues for Street Sweeping are expected to operate at a deficit of 11% when compared to the total FY 25/26 budget.

Expenditures: Expenditures are 37.7% of the total budget at the end of the second quarter. During this period, the Public Parking Fund had 2.00 FTE vacancies, constituting a vacancy rate of 8.70%. These shortages, coupled with extended hours of operation, have necessitated the need for overtime, but overall expenditures remain within budget.

<u>Mid-Year Budget Adjustments</u>

Throughout the fiscal year, staff assesses the need for adjustments to the adopted budget. The following budget adjustments are recommended for Council approval; funds are available in the respective funds to accommodate the recommendations.

<u>Revenue</u>

1. **General Fund – Property Tax Revenue ($1,500,000):** Record an increase in the property tax revenue related to the outperformance of the Successor Agency Tax Receipts.
2. **General Fund – Sales Tax Revenue ($880,000):** Record an increase in the sales tax receipts, primarily related to one-time payments received by the City.
3. **General Fund – Cannabis Sales Tax Revenue (-$750,000):** Record a decrease in Cannabis Revenue related to the slower than anticipated opening of retail Cannabis storefronts within the City.
4. **General Fund – Utility Users Tax (UUT) Revenue (-$800,000):** Record a decrease in the UUT related to lower than anticipated volume of cable television revenue and electric revenue from decreased usage.
5. **General Fund – Franchise Fees Revenue (-$1,000,000):** Record a decrease in the Franchise Fee revenue category related to unanticipated declines in the cable tv franchise fee revenue category.
6. **General Fund – Licenses & Non-Developer Permits ($1,000,000):** Record an increase in Licenses & Non-Developer Permits related to a one-time increase Business Tax License revenue.
7. **General Fund – Development Fees & Charges (-$2,000,000):** Record a decrease in the Development Fees & Charges Category directly related to lower than anticipated development within the City.

8. **General Fund – Electric and Water General Fund Transfers (GFT) ($3,128,900):** Record an increase in revenue in the Electric and Water GFT related to a final true-up calculation by RPU for the General Fund Transfer.
9. **General Fund – Other Revenues ($2,607,813):** Record an increase in the Other Revenues category related to an increase in expected interest income, March JPA land sales, and Administrative Civil Penalties.
10. **Measure Z Fund – Sales & Use Tax (-$1,420,000):** Record a decrease in revenue in the Measure Z Sales tax receipts to reflect a continued softening of sales taxes within the City of Riverside.
11. **Measure Z Fund – Interest Income ($1,200,000):** Record an increase in Interest income in the Measure Z Fund related to outperformance in this category as compared to budgeted expectations.

<u>Expenditures</u>

1. **General Fund – Police Department Overtime Costs ($2,600,000):** A supplemental appropriation will be required for increased Police Department overtime costs due to a combination of increased overtime due to protests, training, after hour homicides, increased operations in the Magnolia Corridor, and salary increases.
2. **General Fund – City Manager's Office America 250 Celebration ($30,000):** A supplemental appropriation will be required to cover the costs for the America 250 Celebration.
3. **Measure Z – Police Headquarters Debt Service (-$4,205,941)**: A decrease associated with debt services payments, which are now anticipated to begin in FY 2026/27.
4. **Measure Z - One Stop Shop Refresh ($250,000):** The 2024 biennial budget included $1.2 million to support a refresh of one-stop shop technology, which was anticipated to be repaid over 5 years. The refresh was put on pause and the funding was pulled back. Therefore, staff recommend also eliminating the anticipated repayment of that funding.
5. **RPU Electric to RPU Administration ($500,000):** Authorize an interdepartmental transfer in the amount of $500,000 to correct an allocation from RPU Power Supply to RPU, Strategic Initiatives.
6. **General Fund CEDD Interdepartmental Transfer ($1,552,950.91):** Authorize an interdepartmental transfer of $1,552,950.91 from the Community & Economic Development Department to the Housing Human Services department related to budget transfers between departments and budgetary clean up.
7. **General Fund Parks & Recreation ($781,553):** Authorize a supplemental appropriation and interfund transfer from General Fund Infrastructure Reserves to the Capital Outlay Fund, Bordwell Park Project to complete project and to fund contingency costs.
8. **CFD/RDA Adjustment ($426,355):** Authorize a combination of supplemental appropriations, operating transfers, revenue adjustments, and all other accounting entries from the General, Capital Outlay, CFD Riverwalk Vista, and Redevelopment Successor Agency (RDSA) Bond Funds in the amount of $426,355 to support a pending receivable in RDSA 2007 Bond fund. This operating transfer will be offset by available CFD bond proceeds that will offset the costs of an existing Parks capital project and result in a net zero impact to the General Fund;

FISCAL IMPACT:

As of the second quarter, the General Fund is performing largely in line with the budget adopted in June 2025. Staff continue to recommend caution regarding additional unallocated expenditures due to ongoing economic uncertainty, including potential impacts from military activity in the Middle East and evolving federal policies.

The City's Sewer, Electric, and Water Funds remain financially stable, with projected gains or planned use of reserves. Each fund maintains reserve levels in compliance with established policy requirements. The Refuse Fund is projected to incur a loss in the current fiscal year; however, available reserves are sufficient to support the planned drawdown. The Public Parking Fund is expected to realize a net gain, primarily driven by increased revenues associated with the Parking Your Way program.

Mid-Year Budget Adjustments (in thousands)			
Fund	**Revenues**	**Expenditures/Reserve Transfers**	**Net Fund Impact***
101 General Fund	$4,567	($3,405)	$1,162
101 General Fund Infrastructure Reserve	-	(782)	(782)
110 Measure Z	(220)	3,956	3,736
City Wide Total	**$4,347**	**(231)**	**$4,116**

*Does not include items with net zero impact.

Prepared by: Peter Kakos, Interim Budget Manager
Approved by: Sergio Aguilar, Deputy Finance Director
Certified as to availability of funds: Julie Nemes, Interim Finance Director
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:
1. Measure Z Spending Plan
2. Presentation