



# Budget Engagement Commission

*City of Arts & Innovation*

**TO: HONORABLE COMMISSIONERS**

**DATE: JANUARY 14, 2021**

**FROM: FINANCE DEPARTMENT**

**WARDS: ALL**

**SUBJECT: MEASURE Z SPENDING PLAN REVIEW**

## **ISSUE:**

Review the Measure Z spending plan and formulate recommendations related to spending priorities and development of the FY 2021/22 Measure Z budget.

## **RECOMMENDATIONS:**

That the Budget Engagement Commission review the current Measure Z spending plan and formulate recommendations related to spending priorities and development of the FY 2021/22 Measure Z budget.

## **BACKGROUND:**

Measure Z is a one-percent transaction and use tax (sales tax) that was approved by the residents of Riverside on November 8, 2016. Measure Z will sunset in 20 years unless it is approved again in a mandatory election in November 2036.

During the FY 2016-2018 budget process in February-June 2016, staff presented to the community, City employees and unions, and the City Council a listing of the City's critical unfunded operational and capital needs. The operational needs alone (excluding new capital facilities) totaled more than \$225 million over five years, or approximately \$45 million per year. In addition to these totals, the Five-Year Capital Improvement Plan (CIP) and Two-Year CIP Budget approved by the City Council on May 17, 2016 identified more than \$1.1 billion of long-term unfunded projects (e.g. new facilities, road projects, etc.).

In addition to the unfunded needs analysis, the City Council approved approximately \$11 million in annual General Fund reductions to balance the FY 2016-2018 Budget. The reductions have impacted services to residents/business and have hampered public safety response times.

To help address the service cuts as well as a portion of the City's critical unfunded needs, at staff's recommendation, the Mayor and the City Council placed a measure on the November 8, 2016, ballot for a one-percent increase in the City's sales tax rate. The November 8, 2016 measure Z ballot presented to voters asked them to consider a yes or no vote to:

“...prevent cutting police, firefighters, paramedics, 911 emergency response, anti-gang/drug programs, homelessness reduction and youth after-school/senior/disabled

services; to repair local streets/potholes/infrastructure; and to provide other general services, shall a one-cent transaction and use tax (sales tax) be implemented providing \$48,000,000 annually through 2036 unless extended by the voters, requiring independent audits with no funds to Sacramento, all funds remaining for Riverside?”

The residents of Riverside approved Measure Z with almost a 60% approval. The Measure Z tax became effective April 1, 2017, the increasing the City’s sales tax rate from 7.75% to 8.75%.

## **DISCUSSION:**

On February 23, 2017, the BEC discussed the following spending priorities recommended by staff:

- **Fiscal Discipline:** It is imperative for the City to continue strengthening its financial position, increasing reserves and paying off debt / liabilities.
- **Critical Non-Safety Service Needs:** These items represent critical, non-public safety related items, that are necessary to avoid reducing services to the public.
- **Critical Public Safety Needs:** Funding for police and fire personnel, dispatchers, and other civilian positions in support of the sworn police positions; and police and fire vehicles.
- **Quality of Life Issues:** Funding for streets, tree trimming and personnel to address quality of life issues in the community. Riverside made a significant investment in its infrastructure during the Renaissance and needs to continue building on that momentum.
- **Critical Infrastructure Needs:** The Riverside Renaissance capital improvement project successfully revitalized the City. However, it has been over 10 years since that significant capital investment was made. The City has significant additional capital needs, which must be addressed.
- **Technology Needs:** The City has many needs for critical technology items, such as a new enterprise resource planning (ERP) system to effectively manage financial and personnel resources, cyber security tools, and hardware replacements (servers, storage, network, etc.).

The BEC continued discussions on Measure Z spending priorities and formulated recommendations on spending items in five meetings during March 2017 through May 2017.

On May 9, 2017, the City Council received a report on Measure Z spending items and BEC recommendations, including a comparison of BEC and staff recommendations (Attachment 1). Following the discussion of BEC and staff recommended Measure Z spending priorities over a five-year period, the City Council concurred with the list of 20 items for Measure Z funding where there was agreement between the BEC and staff. Following further discussion, the City Council conceptually concurred with the Budget Engagement Commission recommendation to allocate \$500,000 of Measure Z funding annually for homelessness services. Refer to Attachment 1 the list of approved items.

On May 16, 2017, the City Council continued discussion on the Measure Z spending plan and approved the revised Measure Z funding priorities as presented by staff (Attachment 3) and added an allocation of \$100,000 for a siting study for a new Eastside Library.

In total, 33 spending items were approved in the original Measure Z spending plan. Since then, the funding for some spending items has been modified and an additional nine (9) spending items have been added to the spending plan. (Attachment 4)

On December 17, 2020, staff presented a Measure Z baseline budget to the BEC which extends through FY 2024/25. It is important to note that the spending plan is extended to FY 2024/25 for planning purposes only; the allocations of each fiscal year are subject to change and must be formally adopted by Council approval of the budget for each fiscal year.

Refer to Attachment 4 for a complete listing of funded items.

### **Types of Funded Items**

The BEC has requested the opportunity to revisit the Measure Z Spending Plan to create a long-term strategy for the use of Measure Z funding and to consider the prioritization of current spending items. The characteristics of items funded by Measure Z will influence the ability of the City to reduce or otherwise modify current and existing funding levels. Attachment 4 indicates the funding type of each funded item.

#### *One-Time Expenditures*

One-time expenditures are spending items that can be defunded if necessary, depending on contractual obligations. Items in this category include, but are not limited to, cash purchases of equipment and vehicles, cash-funded projects (excluding the construction of new facilities), stand-alone services (excluding personnel), and contributions to the fund balance reserves of other funds. While spending in this category may support critical services, future expenditures can be reduced without defaulting on debt obligations or impacting existing personnel. New construction may result in ongoing operational costs to maintain the property.

#### *Ongoing Expenditures*

Ongoing expenditures represent ongoing obligations that cannot be easily defunded, such as cash funding of new facility construction, or operational support such as personnel costs and General Fund support. Some ongoing expenditures such as personnel will continue to rise in cost each year. Expenditures of these types place pressure on available funding for other spending items if annual revenue growth does not keep pace with the annual increase in costs.

#### *Debt Obligations*

Debt obligations cannot be scaled back at any point; alternative funding to pay the debt obligations would have to be identified if Measure Z funding is discontinued.

### **FISCAL IMPACT:**

There is no immediate fiscal impact as a result of this report. Staff anticipates that BEC feedback will inform the development of the FY 2021/22 budget.

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Approved as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
Approved by: Moises Lopez, Deputy City Manager

Attachments:

1. May 9, 2017 Council Item Attachment – Comparison of BEC and Staff Recommendations
2. May 9, 2017 Council Approved Spending Items
3. May 16, 2017 Council Approved Spending Items
4. Measure Z Status of Spending Items
5. Presentation