



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS DATE: MAY 31, 2018
FROM: FINANCE DEPARTMENT WARD: ALL
SUBJECT: FISCAL YEAR 2017-18 THIRD QUARTER FINANCIAL REPORT AND MEASURE Z UPDATE

ISSUE:

Receive and provide input on the Fiscal Year 2017-18 Third Quarter Report and Measure Z Update.

RECOMMENDATIONS:

That the Budget Engagement Commission (BEC) receive and provide input on the Fiscal Year 2017-18 Third Quarter Report and Measure Z Update.

BACKGROUND:

On November 30, 2017, the BEC received the draft fiscal year 2017-18 First Quarter Financial Report for the General Fund and Measure Z; the FY 2017-18 Second Quarter Financial Report was presented to the BEC on April 5, 2018. The year-end projections for the First and Second Quarter reports were similar to the FY 2017-18 Mid-Cycle Amended Budget. The FY 2017-18 Third Quarter Financial Report, based on actual revenues and expenditures for July 1, 2017 through March 31, 2018, supports the second quarter projections. The FY 2017-18 ending General Fund Reserve is currently projected to be approximately \$59.1 million or 23.2%. At the end of the fiscal year, staff will recommend that the estimated \$5 million above the 20% reserve requirement is used for seed funding to help address growing CalPERS expenses.

DISCUSSION:

General Fund Financial Analysis

This Third Quarter Financial Report for FY 2017-18 provides an update on the revenues and expenditures based on actuals from July 1, 2017 through March 31, 2018 (Attachment A). **The FY 2017-18 Third Quarter analysis projects the City to be in a surplus position by year-end of approximately \$2.4 million.** The surplus of \$2.4 million is primarily attributable to cost sharing on the 2017A pension obligation bond (POB) with Measure Z and departmental expenditure savings.

General Fund Revenues

An analysis of revenues through the third quarter ending March 31, 2018 shows a continuation of first and second quarter trends. Compared to the Mid-Cycle budget, a decrease in estimated sales tax (\$1.56 million), franchise fees (\$600,000), and license/permits (\$400,000) are offset by higher than anticipated property tax (\$750,000), fines/forfeitures (\$630,000), and recovery of sewer fund

related claim expenditures (\$900,000). In total, General Fund revenues are expected to be approximately \$100,000 less than budgeted (Attachment A-3).

General Fund Expenditures

Compared to the FY 2017-18 Second Quarter Financial projections, General Fund expenditures for the Third Quarter are \$201,000 higher (Attachment A-4). The City Manager's Office is projecting a shortfall of \$201,000 as a result of recent personnel changes in the City Manager's Office. Analysis of current expenditure trends in other City departments remain consistent with those projected in the Second Quarter. Compared to the Mid-Cycle budget, savings in the Office of the City Attorney (\$400,000), Community and Economic Development (\$250,000), General Services (\$275,000), and Public Works (\$500,000) are partially offset by expected deficits in Fire (-\$750,000) and the City Manager's Office (-\$201,000). Additional savings of \$2 million are projected for debt service payments originally budgeted for Pension Obligation Bond debt, now paid for by Measure Z. Total savings in the General Fund are projected to be \$2,474,000.

Measure Z

The collection of the additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. The City began receiving these revenues in May-June 2017, with the anticipated collection of \$51.5 million in FY 2017-2018. After hearing recommended Measure Z spending options from City staff and the Budget Engagement Commission (BEC), on May 16, 2017, the City Council approved the Measure Z Spending Plan, which appropriated \$47.2 million in FY 2017-18 for 33 initiatives covering public safety, financial discipline/responsibility, critical operating needs, facility capital needs, quality of life, and technology. Revenue and expenditure trends for Measure Z are consistent with the second quarter projections. To date, staff projects savings of approximately \$560,000 (Attachment A-5). Attachment B includes a detailed update on the implementation status of the Measure Z initiatives.

FISCAL IMPACT:

The City of Riverside continues to make tremendous fiscal progress. The new financial foundation for the City has resulted in estimated FY 2017-18 financial results that leave the City with a General Fund Reserve of \$59.1 million (23.2%). Further, Measure Z revenue and expenditure projections are on target with the Five-Year Spending Plan adopted by the City Council in May 2017, with a projected savings of approximately \$560,000. The projections and initiatives funded through Measure Z are making an impact on the safety and quality of life for the Riverside community.

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Approved as to:
Availability of funds: Adam Raymond, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager

Attachments:

- A. FY 2017-18 Third Quarter Financial Report
- B. Measure Z Status – Tracking Measures and Targets
- C. Presentation