



# Measure Z Spending Priorities

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## Finance Department

Budget Engagement Commission

February 23, 2017

# BACKGROUND

- During FY 2016-2018 Budget Process in February-June 2016, staff presented critical unfunded operational and capital needs
- The operational needs alone (excluding new capital facilities) totaled more than \$225M over five years, or approximately \$45M per year
- Annual Capital Improvement Plan (CIP) includes more than \$1.1 billion of long-term unfunded projects (e.g. new facilities, road projects, IT replacements, etc.)

# BACKGROUND

- Council placed a measure on the November 8, 2016 ballot to help address the service cuts and critical unfunded needs
  - Measure Z won voter approval by almost 60% of the residents of Riverside
- Measure Z is a one-percent transaction and use tax (sales tax) – changing the Tax Rate from 7.75% to 8.75%
  - Effective date of new Tax Rate is on April 1, 2017



# HOW IS SALES TAX REVENUE CALCULATED

- 70%-85% remitted to the City by the State Board of Equalization (BOE) on a monthly basis
- City receives the 70%-85% of the sales tax revenue collected each month, but a portion is withheld by the State BOE
- City receives a “true-up” remittance to account for held back amounts and potential one-time adjustments
- Staff provides revenue updates to the City Council every quarter in the Quarterly Financial Reports



# HOW IS SALES TAX REVENUE CALCULATED

Sales In

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April

May

June

Revenue In

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June – 30% Adv

July – 30% Adv

August – 40% Adv

Sept – Clean Up

# PAST COUNCIL ACTION

- Estimated revenues of approx. \$10M to be received in FY 2016-17 and approx. \$48-\$52M in FY 2017-18
- Council approved FY 2016-17 funding for restoration of fire squad in FY 2016-17 (\$450,000) and FY 2017-18 (\$800,000) out of Measure Z Funds on December 20, 2016

# PAST COUNCIL ACTION

- City Council Special Meeting held on January 31, 2017
  - City Staff presented Proposed Measure Z Spending Plan
  - City Council provided direction on proposed plan and directed staff to refine plan with the Budget Engagement Commission (BEC)
- City Council presented with option to fund one of the two Ward Action Team positions February 21, 2017
  - City Attorney's Office position
  - City Manager's Office position at a future date



# PROPOSED MEASURE Z SPENDING PRIORITIES

1. Fiscal Discipline
2. Critical Non-Safety Service Needs
3. Additional Sworn Officers
4. Quality of Life Issues
5. Critical Infrastructure Needs
6. Technology Needs





# FISCAL DISCIPLINE

- General Fund Reserve to 20% over 2-3 FYs (*5-year total: \$29M*)
- Pay down critical liabilities
  - \$31M Pension Obligation Bond (*5-year total: \$10.6M*)
    - Currently, an interest only instrument
  - Risk and Workers Comp. liabilities from 33% to 50% over 5 FYs (*5-year total: \$8M*)

# CRITICAL NON-SAFETY SERVICE NEEDS

- General Fund shortfalls (*5-year total: \$29M*)
  - Due to weakening revenues and increased personnel costs
  - Avoids critical service reductions
- Replenish contingency funds (*5-year total: \$2M*)
  - Majority of funds utilized to fund Police Dept. Rewards, Internal Audit issues, Museum Needs and Budget Office needs
- Principal Analyst (*5-year total: \$700k*)
  - Replaces 1 of 2 positions reduced during budget adoption in City Manager's Office

# CRITICAL PUBLIC SAFETY NEEDS

- Current staffing of 350 sworn officers
  - Industry standard is 584
- 60 additional sworn officers (*5-year total: \$30M*)
  - 17 reinstated positions in FY 17/18
  - 43 net new positions added over the next 3 FYs
- 20 additional non-sworn police department employees (*5-year total: \$5.7M*)
  - Including dispatchers and background investigators

# CRITICAL PUBLIC SAFETY NEEDS

- Reinstatement of two Fire Captains and one Battalion Chief (*5-year total: \$3.2M*)
- Replacement and Maintenance of Police Vehicles (*5-year total: \$8M*)
- Replacement and Maintenance of Fire Vehicles (*5-year total: \$6.4M*)

# QUALITY OF LIFE ISSUES

- Street Maintenance and Repair (*5-year total: \$11.5M*)
  - Doubles General Fund contributions
- Tree Trimming (*5-year total: \$2M*)
  - 44% increase over current funding
- Community Advocate and Prosecutor (*5-year total: \$1.9M*)
  - Support to multi-functional Ward Action Teams
- Quality of Life Survey (*5-year total: \$100k*)
  - Reinstatement of FY 2016-17 budget reduction



# CRITICAL INFRASTRUCTURE NEEDS

- \$165M - \$180M infrastructure bond(s) for new and/or expanded City facilities (*5-year total debt service: \$36M*):
  - New police headquarters and holding facility
  - New Downtown Main Library
  - Two New Downtown parking structures
  - Convention Center expansion
  - Museum renovation and expansion



# CRITICAL INFRASTRUCTURE NEEDS

- Facility repair and maintenance (*5-year total: \$4.2M*)
  - Facilitate and address unfunded needs for police and fire stations, libraries, recreation centers, and other city government buildings
  - Safety and security improvements
- Ward specific capital projects (*5-year total: \$8M*)
  - \$250,000 for Mayor and each City Council members
  - Improve existing capital facilities, purchase equipment or address other critical capital needs existing in specific City neighborhoods



# TECHNOLOGY NEEDS

- New enterprise resource planning (ERP) system (*5-year total: \$2M*)
- Cybersecurity tools (*5-year total: \$750k*)
- Hardware replacements (*5-year total: \$5.8M*)



# ADDITIONAL CONSIDERATION

- City Council provided input on staff's Proposed Measure Z Spending Plan
- The BEC will also be asked to consider further Measure Z spending priorities
- Public Safety and Capital Investment
  - March 9, 2017
- Quality of Life, Fiscal Discipline, Technology and Operating Costs
  - April 6, 2017

# WHAT REMAINS UNFUNDED

- FY 2016-2018 Budget Reductions
  - \$3.6M of annual reductions not included
- Unfunded Liability Leave Accruals (sick and vacation)
- Other Facility Maintenance
- Volunteer and Intern Coordinator
- Street and Tree Maintenance
- Other Critical Technology Needs



# TIMELINE

- February 14, 2017 - City Council Meeting: Appointment of BEC members by the City Council.
- February 23, 2017 – BEC Meeting: Introduction, Rules of Order and Measure Z planning. Discuss agendas for future meetings.
- March 9, 2017 – BEC Meeting: Measure Z five-year spending plan, with a focus on Public Safety and Capital Investment.
- April 6, 2017 – BEC Meeting: Second Quarter financial report (FY 16/17) and Measure Z, with focus on Quality of Life, Fiscal Discipline, Operating Needs, and Technology Needs.

# TIMELINE

- April 11, 2017 – City Council Meeting: Second Quarter financial report (FY 16/17).
- May 4, 2017 – BEC Meeting: Riverside 2.0 Goals, Performance Measures and Measure Z
- **May 9, 2017 – Joint City Council and BEC Meeting: Measure Z Recommendations.**
- June 8, 2017 – BEC Meeting: Third Quarter financial report (FY 16/17) and FY 17/18 Mid-Cycle proposed adjustments.
- **June 13, 2017 – City Council Meeting: Third Quarter financial report (FY 16/17) and FY 17/18 Mid-Cycle proposed adjustments.**



# SUNSHINE ORDINANCE

- October 6, 2015 – City Council adopted Ordinance 7301
  - Provide the public with adequate time to review information
  - Expanded the notice requirements from a 3-day to a 12-day notice requirement for regular meetings
  - Special meeting notice extended from 24 hours to 5-days.
- On February 7, 2017 - City Council added these requirements to the Budget Engagement Commission.
- While City staff is dedicated to providing the BEC with as much information as possible to fulfill the Commission's requests staff is required to follow the Sunshine Ordinance provisions and time lines.



# RECOMMENDATIONS

That the Budget Engagement Commission:

1. Receive and provide input on Measure Z spending priorities; and
2. Develop recommendations to the City Council on Measure Z spending priorities in time for the May 9, 2016 Joint Budget Engagement Commission and City Council meeting.