

**FY 2016-2018 Two-Year Budget:
FY 2016-17 3rd Quarter Review &
FY 2017-18 Mid-Cycle Update**

Finance Department

City Council
June 20, 2017

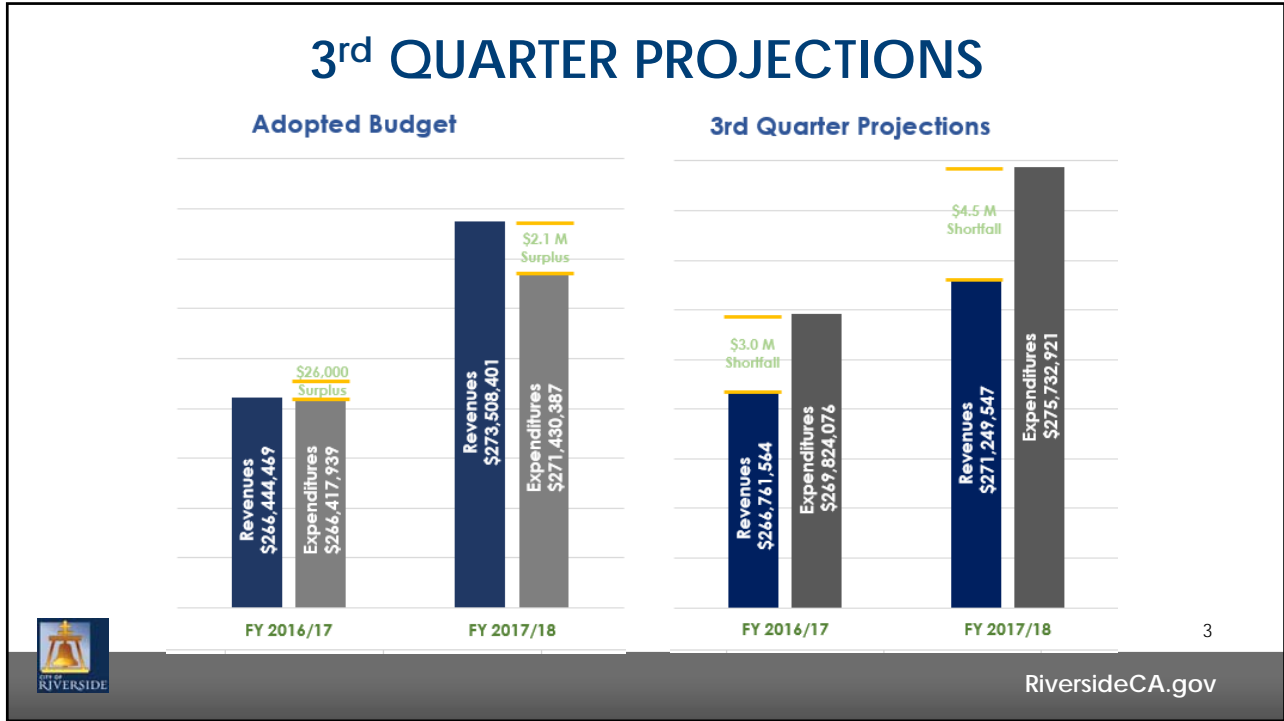
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**FISCAL YEAR 2016-17:
3RD QUARTER FINANCIAL
UPDATE**



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- ## GENERAL FUND REVENUE HIGHLIGHTS
- **Sales Tax** projection
 - Unchanged in FY 2016-17
 - \$883,610 lower in FY 2017-18
 - **Utility Users Taxes**
 - \$197,000 lower in FY 2016-17
 - \$206,000 lower in FY 2017-18
 - **Charges for Development and Building Services**
 - \$291,000 higher in FY 2016-17
 - \$277,000 higher in FY 2017-18
 - April 2017 - valuation record for the past 14 years
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GENERAL FUND REVENUE HIGHLIGHTS

- *Special Revenue-Entertainment*
 - \$1.3 million increase in FY 2016-17
 - \$ 703,000 in FY 2017-18
 - Partially offset by expenditure increases

- *Intergovernmental Revenue*
 - \$645,000 increase by \$ 645,000 in FY 2016-17
 - \$6,000 increase in FY 2017-2018
 - Offset by Fire Mutual Aid overtime

- *Other Miscellaneous Revenues*
 - \$1 million higher in FY 2016-17
 - \$1.9 million higher in FY 2017-18
 - One-time reimbursements / refunds, and sale of land



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GENERAL FUND EXPENDITURE HIGHLIGHTS

- *Parks, Recreation and Community Services*
 - *Development Impact Fees* are able to cover \$1.2 million more General Fund subsidized debt that anticipated in FY 2016-17

- *Fire Department Overtime and Retirement Payoffs*
 - Exceed FY 2016-17 personnel budget by \$395,000 in overtime and \$225,000 in retirement payoffs - partially offset by Mutual Aid reimbursements

- *Police Retirement Payoffs*
 - Exceed the FY 2016-17 personnel budget by approximately \$1.2 million

- *Convention Center*
 - Exceed projections by \$689,000
 - Offset by revenue projections (\$911,000)



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MEASURE Z : FY 2016-2017

- May 16, 2017 - City Council approval of Five-Year Spending Plan (Attachment D)



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FY 2016-17 COST-NEUTRAL BUDGET REVISIONS

- Partial use of a \$569,000 insurance refunds to pay for unfunded needs in the Human Resources (\$472,350) and Innovation & Technology (\$33,000) Departments
- The Housing Element/Rezone Project (\$320,000)
 - Community & Economic Development Department
 - Funded by the General Plan Surcharge.
 - In order to spend these funds, money has to be appropriated



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CARRYOVERS

- The FY 2016-2018 Two Year Budget: City's Manager's Budget Message
 - General Fund Carryovers
- End of Year 1: Departments with savings will automatically carry over the unspent funds to the second year
 - Departments that overspend in the first year will not be given higher budget allocation in the second year; they will have less to spend;
- End of Year 2: Departments with savings will be able to retain 50% of the unused funds for capital or other one-time needs.
 - Other 50% will be used to balance the General Fund, or returned to the General Fund reserves.
- Implement policy in 4th Quarter Financial Update (Sept/Oct 2017)



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DEBT AND INVESTMENT REPORTS

- The quarterly investment report is included in this report:
 - Report shows cash balances by fund
 - Information is provided regarding funds with an unusual cash position
 - No fund's cash balance is currently a major concern
- The quarterly debt report is included in this report:
 - There have been no major changes to the City's debt portfolio through March 31, 2017
 - 2017A POBs (over \$30 mill) will be accounted for on 4th Quarter Update



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FISCAL YEAR 2017-18: MID-CYCLE UPDATE



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BOTTOM LINE

- The FY 2017-2018 revised budget reflects total expenditures across all funds of \$1,026,569,134
 - \$55.2 million more than the Adopted FY 2017-18 Budget of \$971,380,144
 - Incorporation of Measure Z (\$46 million)
 - Adjustments to reflect negotiated employee compensation and benefit changes (\$9 million)
 - Sets General Fund Reserve at 20% in year two



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GENERAL FUND RESTRUCTURING

- Staff analyzed all General Fund activity and determined that restructuring of the General Fund was required
 - Provide for greater transparency between true General Fund activity and other financial activity that has historically been in the General Fund
 - New funds have been established for Civic Entertainment and Special Districts
- Staff consolidated three separate debt funds into one general government debt fund



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GENERAL FUND RESTRUCTURING

- Civic Entertainment
 - Riverside Convention Center (RCC), Fox Entertainment Plaza (including The Box and Showcase) and the Riverside Municipal Auditorium (RMA) were fiscally managed in the General Fund
 - Proposed enterprise fund called Civic Entertainment was established with all financial activity of these facilities, including any debt service charges
 - Greater transparency and the subsidy provided by the General Fund will be more pronounced through operating transfers
 - The FY 2017-18 operating subsidy required, largely associated with debt for the rehabilitation of the facilities, is \$3,187,072 for RCC and \$4,827,681 for The Fox and RMA



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GENERAL FUND RESTRUCTURING

- Special Districts
 - Proposed Special District Fund
 - Street light assessment district, landscape maintenance districts and the park maintenance districts
 - These districts are supported through increased property tax assessments, self-imposed by the landowners, to fund improvements
 - The special districts should be self-supporting; however, over time, based on the dollar limits imposed during their original creation, this is not always the case
 - Provide greater transparency of special district activity
 - The operating subsidy required for fiscal year 2017-18 for the Special District fund is \$1,074,263



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CAPITAL IMPROVEMENT PLAN

- Capital projects are proposed by staff, and approved by the City Council, based on need
- Most of the project are related to electric system improvements, enhancements and repairs
 - City neighborhoods where these needs are located will be the “beneficiaries” of the related capital spending
- Most Public Works/Transportation funding comes from the federal and state sources
 - Often for specific major street widening or road separation projects
 - City neighborhoods where these needs are located will house these projects
- Government Code Section 65401 requires that the Planning Commission review the City’s CIP budget and plan for the upcoming fiscal year for conformity with the General Plan 2025
 - Approved on May 18, 2017



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CAPITAL IMPROVEMENT PLAN

Funded CIP Projects from FYs 2016-2021

Department	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Funded CIP Total 5 Years
General Services	935,556	1,607,000	8,927,177	9,818,353	11,018,353	32,306,439
Innovation and Technology	-	-	1,500,000	-	1,250,000	2,750,000
Parks, Recreation, and Community Services	4,627,300	10,000	-	-	-	4,637,300
Public Utilities	61,375,000	43,038,000	55,549,000	46,435,000	47,807,000	254,204,000
Public Works	25,511,130	19,080,500	18,585,600	11,398,000	8,162,700	82,737,930
Funded CIP Totals	\$92,448,986	\$63,735,500	\$84,561,777	\$67,651,353	\$68,238,053	\$376,635,669



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CAPITAL IMPROVEMENT PLAN

Unfunded CIP Projects from FYs 2016-2021

Department	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Unfunded CIP Total 5 Years	Unfunded CIP Totals
General Services	2,940,700	7,184,081	18,678,000	56,280,000	38,351,000	123,433,781	258,993,081
Innovation and Technology	-	2,931,500	13,483,650	8,839,238	5,232,710	30,487,098	30,487,098
Parks, Recreation, and Community Services	400,000	800,000	400,000	400,000	400,000	2,400,000	245,986,810
Public Utilities	-	-	-	-	-	-	306,102,000
Public Works	-	-	-	-	-	-	404,519,552
Funded CIP Totals	\$3,340,700	\$10,915,581	\$32,561,650	\$65,519,238	\$43,983,710	\$156,320,879	\$1,246,088,541



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PERSONNEL DETAIL

- Staff recommends approval of the Personnel Detail amendments for a net increase of 50.25 FTE in FY 2017-2018 - the majority of the FTE increases, 41, are associated with Measure Z
- *Finance Department*
 - Downturn of the economy led to merging of the Purchasing and Risk Management functions
 - Operational audit from Matrix Consulting and an independent survey from an outside classification and compensation consultant found this practice unique among cities and recommended the separation of the two functions
 - Currently, the Risk Management function is a hybrid of in-house staff and an outside claims administration company, Carl Warren.
 - Insource operation to streamline claims management, provide better customer service, and reduce long-term liabilities
 - Add a claims specialist and claims inspector
 - Cost of which will be partially offset by a reduction of the current Carl Warren agreement (\$200,000/year)



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PERSONNEL DETAIL

- The City Attorney's Office increased by 3.5 positions in FY 2017-18
 - One of the increased positions was already included in the Adopted FY 2016-2018 Budget as part of the plan to reduce the need for outside legal counsel
 - The additional 2.5 positions represent a further reduction in outside legal counsel as it relates to Worker's Compensation
 - A Senior Deputy City Attorney and 1.5 Paralegal position
 - The anticipated costs of \$295,000 will reduce the outside legal counsel costs for the Worker's Compensation Fund (up to \$450,000)
- *Public Utilities Department*
 - The Public Utilities Department increases by two positions overall, mostly associated with the steps necessary to implement Utility 2.0
 - Addition of three Electric Power System Dispatcher II positions needed to appropriately staff the Dispatch function and greatly reduce overtime
 - Represents a savings over the current overtime expenditures



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MEASURE Z: FY 2017-18

- On May 16, 2017, the City Council approved a Five-Year Spending Plan for Measure Z. All expenditures will be tracked in the Measure Z Fund (110)

FY 2017-2018 Measure Z Budget Reconciliation

Fund 110 Budgeted Expenditures \$ 46,041,773

Add: POB Savings \$ 194,171 →

Add: Contingency \$ 1,000,000

Total FY 2017-2018 Measure Z Budget (City Council Approved) \$ 47,235,944

General Fund 2017A POB

Est. Annual Cost \$ 1,900,800

Actual Costs \$ 1,706,629

Savings/(Deficit) \$ 194,171

- Beginning with the First Quarter Financial Report for FY 2017-18, staff will present a summary of the Measure Z activity to date and will include what departments are assigned to each project, including estimated timeline for completion



FY 2016/17 3RD QUARTER COMMENTS FROM THE BUDGET ENGAGEMENT COMMISSION CHAIRPERSON ROBERT MENDEZ



RECOMMENDATIONS

For the FY 2016-2017 Third Quarter Report, that the City Council:

1. Receive and file the attached FY 2016-2017 Third Quarter Financial Report (Attachment A) that includes year-end projections for the General Fund and the five-year Measure Z spending plan, as well as cash/investment (Attachment B) and debt (Attachment C) reports for all funds;
2. Amend the FY 2016-2017 General Fund and Measure Z Fund Budget to appropriate funds approved through the Measure Z five-year spending plan (Attachment D);
3. Approve the appropriation of one-time revenues from the Standard Insurance reimbursement (\$569,221) for one-time projects and programs in accounts to be determined by the Finance Department in the Human Resources Department (\$472,350) and Innovation and Technology Department (\$33,000);
4. Appropriate General Plan Surcharge revenue (\$320,000) to the Community and Economic Development Department Planning Division professional services account to pay for Housing Element and Rezoning Project; and
5. Direct staff to prepare a General Fund carryover process as planned in the Adopted FY 2016-2018 Two-Year Budget (outlined in this report) for City Council approval in conjunction with the Fourth Quarter 2016-17 Financial Report. 23



RECOMMENDATIONS

For the FY 2017-2018 Mid-Cycle Update, that the City Council:

1. Adopt the attached resolution (Attachment E) approving the City of Riverside's Mid-Cycle Amendments to the Two-Year Budget for FY 2017-2018 as reflected in the expenditure detail (Attachment F) and revenue detail (Attachment G);
2. Amend the FY 2017-2018 Personnel Detail to authorize position changes and full time employee (FTE) counts for positions under each department, division, and section (Attachment I);
3. Amend FY 2017-2018 funding for the City's five-year Capital Improvement Plan (CIP) (Attachment H); and
4. Continue delegating investment responsibility to the City's Chief Financial Officer/Treasurer, for a period of one year.

