

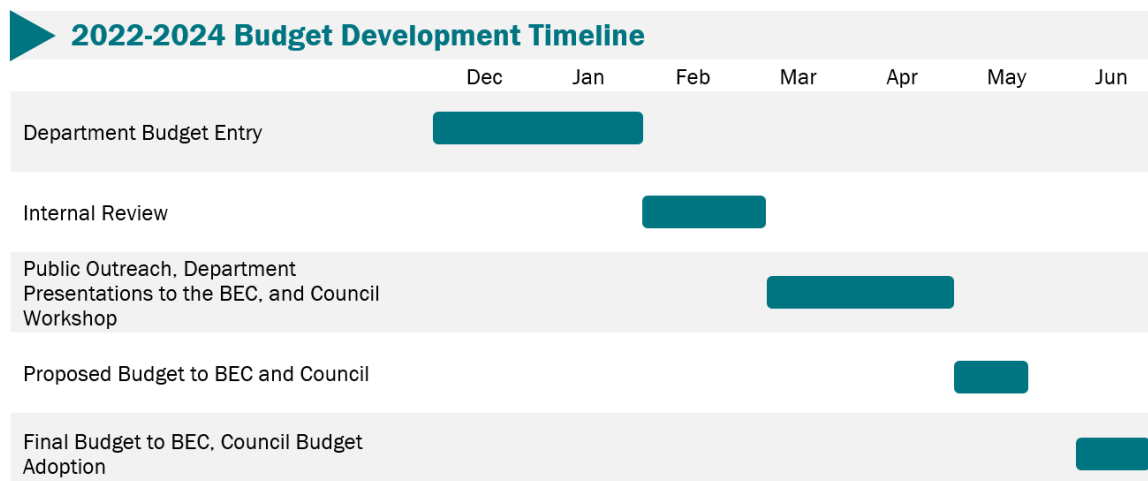
2022-2024 Biennial Budget: General Fund & Measure Z Baseline Budgets

Financial Performance and Budget Committee
December 10, 2021

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BUDGET DEVELOPMENT TIMELINE



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BUDGET GOALS

1. Leverage Priority Based Budgeting (PBB) to identify and reallocate funding to critical unfunded needs.
2. Implement a financing strategy of planned contributions and withdrawals to/from the Section 115 Trust to smooth the annual fiscal impact of the combined CalPERS UAL and 2020 Pension Obligation Bond payments.



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PBB IN THE 2022-2024 BUDGET

PBB INSIGHTS



Brainstorm Insights/ideas
about PBB Programs



Evaluate ideas and recommend
Insights for final consideration



Select Insights to implement in
FY 2022/23 budget cycle



Funding available through PBB Insights to
allocate to Critical Unfunded Needs

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CRITICAL UNFUNDED NEEDS



Submit requests for
Critical Unfunded Needs



Review and rank requests within
quartile based on order of priority



Determine which needs to fund
this year vs. in future years



Final List of Critical Unfunded Needs to fund in
FY 2022/23 ranked in order of priority

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Prior Fiscal Years

The two fiscal years leading up to the budget cycle play an integral part in development of the baseline budget, budget goals, and budget strategy.

FY 2020/21 Actuals

\$26.6M Revenues **exceeded budget**

\$28.1M Full 10% contingency revenue reduction in emergency budget was **not needed**.

18.2% Extraordinary and unexpected growth in sales tax revenue

\$5.8M CARES Act Funding for Public Safety



FY 2021/22 Projection

Much **higher base** for future sales tax projections.

Transient Occupancy Tax recovering more quickly than expected.

Charges for Services continue to lag compared to pre-COVID revenues.

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GENERAL FUND BASELINE BUDGET

(in millions)	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Projections	2022/23 Baseline	2023/24 Baseline
Revenue	\$278.67	\$279.45	\$298.03	\$300.65	\$310.89	\$319.03
Expenditures	271.38	280.48	262.14	288.04	306.12	311.52
Surplus/(Deficit)	\$7.29	\$(1.03)	\$35.89	\$12.61	\$4.77	\$7.51



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KEY REVENUE ASSUMPTIONS

(in millions)	2019	2020	2021	2022*	2023	2024
Property Tax	9.2%	2.1%	3.9%	4.5%	3.0%	0.8%
Sales and Use Tax	6.6%	-3.1%	18.2%	3.6%	2.9%	2.9%
Utility Users Tax	1.9%	3.7%	5.3%	3.2%	3.8%	3.6%
Transient Occupancy Tax	5.5%	-16.8%	-2.6%	5.5%	16.1%	3.0%
Non-Development Charges for Services	-10.6%	-16.2%	-7.2%	15.6%	9.5%	8.0%
Developer Fees & Charges for Services	4.1%	4.4%	-21.1%	4.8%	1.9%	1.9%
General Fund Transfer	0.5%	-0.8%	1.7%	2.9%	5.4%	4.6%
Measure Z Transfer	-35.4%	38.0%	0.0%	0.0%	0.0%	0.0%
All Other Revenues	0.0%	-6.1%	15.0%	-25.9%	-1.2%	1.9%
Total Revenues	-2.0%	0.3%	6.6%	0.9%	3.4%	2.6%



*Projected

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KEY EXPENDITURE ASSUMPTIONS

Personnel Assumptions

- All positions funded
- Current MOUs (no salary increases)
- Safety overtime % of base salaries
 - Police: 11.5%
 - Fire: 35%

Non-Personnel CPI Increases

4.5%	3.0%
FY 2022/23	FY 2023/24

CalPERS UAL Required Payments

Safety	\$11.2M (13.8% ↑)	\$12.2M (8.9% ↑)
Misc	\$5.0M (2.6% ↑)	\$5.3M (4.2% ↑)

UAL/POB Smoothing

- Shift reduction in debt obligations to Section 115 Trust (FY 2023/24)
- Build Section 115 Trust to at least \$40M by FY 2026/27
- Strategize contributions/withdrawals to smooth annual fiscal impact



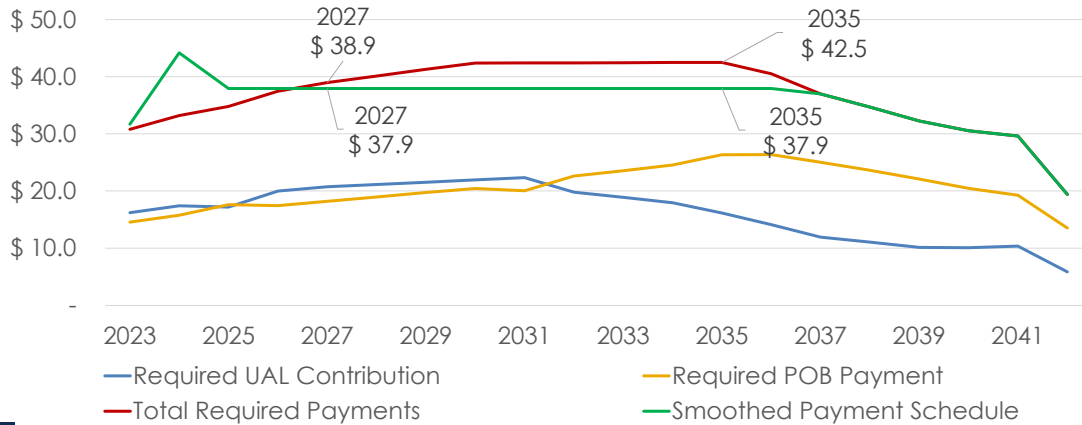
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UAL/POB SMOOTHING

UAL/POB PAYMENT SMOOTHING STRATEGY (in millions)



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MEASURE C CHALLENGE

(in millions)	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Projections	2022/23 Baseline	2023/24 Baseline
Baseline Revenue	\$278.67	\$279.45	\$298.03	\$300.65	\$310.89	\$319.03
Electric GFT					(42.83)	(44.74)
Revenues	\$278.67	\$279.45	\$298.03	\$300.65	\$268.06	\$274.29
Baseline Expenditures	\$271.38	\$280.48	\$262.14	\$288.04	\$306.12	\$311.52
Trust Contribution					(0.89)	(11.00)
Expenditures	\$271.38	\$280.48	\$262.14	\$288.04	\$305.23	\$300.52
Surplus/(Deficit)	\$7.29	\$(1.03)	\$35.89	\$12.61	\$(37.17)	\$(26.23)



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MEASURE Z SPENDING PLAN

(in millions)	2019	2020	2021	2022	2023	2024
Revenue	\$62.81	\$63.14	\$72.65	\$74.65	\$76.80	\$79.02
Expenditures	(40.99)	(49.56)	(50.85)	(67.54)	(65.85)	(63.84)
Encumbrances & Carryovers	-	-	(36.16)	-	-	-
Net Change in Fund Balance	\$21.82	\$13.58	\$(14.36)	\$7.11	\$10.95	\$15.18
Beginning Fund Reserves	\$22.74	\$39.56	\$53.14	\$38.78	\$45.89	\$56.84
Net Change in Fund Balance	21.82	13.58	(14.36)	7.11	10.95	15.18
Policy Reserve Set-Aside	(5.00)	-	-	-	-	-
Ending Unallocated Reserves	\$39.56	\$53.14	\$38.78	\$45.89	\$56.84	\$72.02



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SPENDING ITEM ASSUMPTIONS

- Continuation of items at existing funding level that have no defined end date.
- Police Headquarters and Museum Renovation were delayed to FY 2022/23 with the adoption of the FY 2020/21 emergency budget.
- Funding for Library Security Guards ended in FY 2021/22
- Public Works Streets Vehicle & Infrastructure Needs adopted in FY 2021/22 budget continues through FY 2024/25 according to the replacement plan.



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STRATEGIC PLAN ALIGNMENT



HIGH PERFORMING GOVERNMENT

CROSS-CUTTING THREADS



Community Trust



Equity



Innovation



Fiscal
Responsibility



Sustainability
and Resiliency



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RECOMMENDATION

That the Financial Performance and Budget Committee receive and provide input on the Fiscal Year 2022-2024 General Fund and Measure Z Baseline Budgets and budget goals.



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