



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MAY 8, 2023

SUBJECT: PROPOSED AMENDMENT OF FISCAL YEAR 2023/24 OF THE PREVIOUSLY ADOPTED FISCAL YEAR 2022-2024 BIENNIAL BUDGET

ISSUE:

Recommend that the City Council approve the proposed adjustments to Fiscal Year 2023-24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget, in the amount of \$5,609,495.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve the Electric 510 Fund proposed Fiscal Year 2023-24 budget amendments comprising of an increase in expenditures of \$4,449,943;
2. Approve the Electric 511 Public Benefit Fund proposed Fiscal Year 2023-24 budget amendments comprising of an increase in expenditures of \$12,400;
3. Approve the Water 520 Fund proposed Fiscal Year 2023-24 budget amendments comprising of an increase in expenditures of \$1,146,092; and
4. Approve the Water Conservation 521 Fund proposed Fiscal Year 2023-24 budget amendments comprising of an increase in expenditures of \$1,060.

BACKGROUND:

The Riverside Public Utilities (RPU) Electric and Water Funds Fiscal Years (FY) 2022-24 biennial budget was approved by the Board of Public Utilities on April 11, 2022 and was subsequently adopted by City Council on June 21, 2022.

The purpose of this budget update is to recommend amendments to the previously adopted FY 2023-24 budget based on new financial data and significant events that impact the Electric and Water Funds' finances. This report provides a brief overview of the recommended adjustments to expenditures for both the Electric and Water Funds. These recommendations will be incorporated into the City's FY 2023-24 budget update that will be presented to City Council on May 16, 2023.

DISCUSSION:

The FY 2023-24 proposed budget adjustments, provided by the City Finance department, reflect a \$5.6 million increases in expenditures for the Electric and Water Funds. Proposed budget

adjustments are a result of the City Council actions approving Memorandum of Understanding (MOU) agreements with International Brotherhood of Electric Workers (IBEW) and Service Employees International Unit (SEIU), and Unrepresented employee group, as well as a full refresh of position and employee demographics. The combined increase to RPU personnel costs is \$4,932,899.

RPU's combined participation in the Section 115 Pension Trust Fund is \$4,666,546 and is cost neutral. The costs were budgeted to be paid to CalPERS Unfunded Accrued Liability (UAL). CalPERS experienced higher than projected investment returns in 2021 and thus the FY 2023/24 payments are not required. As those investment returns have shown a decline in more recent years, the payments are expected to be due in future years. The transaction to move the CalPERS UAL funds is done through Operating Transfers Out. Those funds will then be added to the City's Section 115 Pension Trust, as paid from the RPU funds, ensuring long-term management of rising pension costs to avoid pension cost spikes in future years and keep rate payer costs low.

The non-personnel increases of \$7,996 for the Electric Fund 510 and \$26,660 for the Water Fund 520 reflect the increase in boot allowance per the new IBEW MOU. The Water 520 Fund has a decrease of \$267,105 to adjust debt service obligations to match the debt service schedule.

The Charges from Others for the Electric and Water Funds represents increases from the City's Cost Allocation Plan and changes to the administrative charges to/from City Departments in a total cost of \$909,045. The increase in the Cost Allocation Plan reflects the position and employee refresh including the impact of salary and benefit increases in allocated positions, and the proposed addition of 23.75 full-time equivalent (FTE) positions in internal service departments which support citywide operations. Administrative charges are also impacted by the personnel refresh and include new RPU funding for 50% of a 1.0 full-time Project Lead position in the City Manager's Office of Sustainability. The cost is equally shared between Electric and Water for a combined total of \$68,780.

| 510 Fund – Electric | | | |
|--------------------------------|---------------------------|----------------------------|---------------------------|
| Fund Category | Adopted FY 2023/24 | Proposed Adjustment | Amended FY 2023/24 |
| Personnel | \$70,462,076 | \$3,670,394 | \$74,132,470 |
| CalPERS UAL | 3,509,532 | (3,509,532) | 0 |
| Non Personnel | 262,766,648 | 7,996 | 262,774,644 |
| Charges from Others | 18,209,196 | 771,553 | 18,980,749 |
| Operating Transfers Out | 44,636,500 | 3,509,532 | 48,146,032 |
| | | \$4,449,943 | |

| 511 Fund – Electric Public Benefits | | | |
|--|---------------------------|----------------------------|---------------------------|
| Fund Category | Adopted FY 2023/24 | Proposed Adjustment | Amended FY 2023/24 |
| Charges from Others | \$1,706,706 | \$12,400 | \$1,719,106 |
| | | \$12,400 | |

| 520 Fund – Water | | | |
|-------------------------|---------------------------|----------------------------|---------------------------|
| Fund Category | Adopted FY 2023/24 | Proposed Adjustment | Amended FY 2023/24 |
| Personnel | \$24,143,205 | \$1,262,505 | \$25,405,710 |

| | | | |
|--------------------------------|------------|--------------------|------------|
| CalPERS UAL | 1,157,014 | (1,157,014) | 0 |
| Non Personnel | 24,225,040 | 26,660 | 24,251,700 |
| Debt Service | 24,502,438 | (267,105) | 24,235,333 |
| Charges from Others | 10,473,006 | 124,032 | 10,597,038 |
| Operating Transfers Out | 8,565,800 | 1,157,014 | 9,722,814 |
| | | \$1,146,092 | |

| 521 Fund – Water Conservation | | | |
|--------------------------------------|---------------------------|----------------------------|---------------------------|
| Fund Category | Adopted FY 2023/24 | Proposed Adjustment | Amended FY 2023/24 |
| Charges from Others | \$504,989 | \$1,060 | \$506,049 |
| | | \$1,060 | |

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 - High Performing Government** and **Goal 5.3** – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Presentation of proposed budget amendments provides a transparent view and communication of Utility finances in a forum that accommodates community engagement and the involvement of Board of Public Utilities.
2. **Equity** – The proposed budget amendments are available to all members of the public via the City website, and the presentation of the proposed budget in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – The proposed budget amendments and recommendations demonstrate the Utility’s commitment to responsible management of the Utility’s financial resources.
4. **Innovation** – Adopting the proposed budget amendments will help in meeting the community’s changing needs as the Utility’s infrastructure needs are projected to grow as the system continues to age.
5. **Sustainability & Resiliency** – The proposed budget amendments demonstrates the Utility’s commitment to the long-term fiscal health of the Utility and preservation of Utility services.

FISCAL IMPACT:

Total fiscal impact is \$5,609,495. Following Council direction on the proposed citywide FY 2023-24 Amended Budget, the cost allocation plan will be re-run to incorporate changes as directed by the City Council, likely with immaterial changes to the Electric and Water funds. Sufficient funds are available in undesignated reserves to fund the increase to the FY 2023-24 budget. Future years’ impacts will be included as a part of the biennial budget process.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Business and Customer Services
Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Certifies availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Attachments:

1. Budget Summary Tables
2. Budget Adjustments
3. Presentation