

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 16, 2023

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: PROPOSED AMENDMENT OF FISCAL YEAR 2023/24 OF THE PREVIOUSLY ADOPTED FISCAL YEAR 2022-2024 BIENNIAL BUDGET – SET PUBLIC HEARING; FY 2022/23 SUPPLEMENTAL APPROPRIATIONS

ISSUES:

Receive and provide input on the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget and set a public hearing for the adoption of the proposed amended Fiscal Year 2023/24 Budget; and approve proposed FY 2022/23 supplemental appropriations.

RECOMMENDATIONS:

That the City Council:

1. Receive and provide input on the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget;
2. Set a public hearing for adoption of the Amended Fiscal Year 2023/24 Budget on June 27, 2023;
3. By at least five affirmative votes, authorize a FY 2022/23 transfer of \$127,779.36 from the Interest-Bearing Special Deposits Fund – Historic Preservation Fund to the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the funds; and
4. Authorize the City Manager to execute an Agreement with the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the transferred Historic Preservation Fund funds on behalf of the City.

COMMITTEE RECOMMENDATION:

This report is published on May 4, 2023, for the May 16, 2023, City Council meeting.

On May 10, 2023, the Financial Performance and Budget Committee will hear this item for

consideration to:

1. Receive and provide input on the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget;

Recommend that the City Council:

2. By at least five affirmative votes, authorize a FY 2022/23 transfer of \$127,779.36 from the Interest-Bearing Special Deposits Fund – Historic Preservation Fund to the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the funds;
3. By at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation for FY 2022/23 from general fund available fund balance for a proposed new golf cart barn and additional golf carts for Fairmount Park Golf Course in the amount of \$175,000; and
4. Authorize the City Manager to execute an Agreement with the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the transferred Historic Preservation Fund funds on behalf of the City.

If the Committee approves to forward this to City Council, we respectfully request the City Council consider the item at the May 16, 2023, City Council meeting.

COMMISSION RECOMMENDATION:

This report is published on May 4, 2023, for the May 16, 2023, City Council meeting.

On May 11, 2023, the Budget Engagement Commission will hear this item for consideration to:

1. Receive and provide input on the proposed amendment of Fiscal Year 2023/24 of the previously adopted Fiscal Year 2022-2024 Biennial Budget;

Recommend that the City Council:

2. By at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation for FY 2022/23 from general fund available fund balance for a proposed new golf cart barn and additional golf carts for Fairmount Park Golf Course in the amount of \$175,000;
3. By at least five affirmative votes, authorize a FY 2022/23 transfer of \$127,779.36 from the Interest-Bearing Special Deposits Fund – Historic Preservation Fund to the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the funds; and
4. Authorize the City Manager to execute an Agreement with the Old Riverside Foundation 501(c)3 non-profit civic organization to administer the transferred Historic Preservation Fund funds on behalf of the City.

BACKGROUND:

On June 21, 2022, the City Council adopted Resolution No. 23866 approving the Fiscal Year (FY) 2022-2024 Biennial Budget and FY 2022-2027 Capital Improvement Plan (CIP). Since budget adoption, the City Council has approved actions with fiscal impact that need to be incorporated into the FY 2023/24 budget. Additionally, City departments perform quarterly analysis of financial performance during the fiscal year and identify financial and operational needs that are not accommodated by the current adopted budget.

DISCUSSION:

An update to the second year of an adopted biennial budget is necessary to ensure the City is proactive and responsive to financial and operational changes. Because the City is on a biennial budget, amendments to the second fiscal year are typically minor, and focus on the following:

- Reviewing and adjusting forecasts of major revenue sources.
- Incorporating the financial impact of City Council actions taken during the fiscal year, including the impacts of new employee Memorandums of Understanding.
- Addressing new and significant changes in the operating needs of City departments, including rising costs in certain sectors (utilities, fuel, chemicals).
- Reviewing and re-prioritizing capital project funding.

In the General Fund and Measure Z, this budget update is more proactive than prior years given positive financial performance allowing the City to leverage these positive financial results to address numerous City priorities and initiatives. Revenue projections for the 2022-2024 Biennial Budget were based on revenue performance as of early Spring 2022. Subsequently, 2021/22 fiscal year end results presented significant growth in sales tax revenue over the prior year, with a 33% increase in both the General Fund and Measure Z revenues since FY 2018/19. The City's sales tax consultant, HdL, projects 0% growth in FY 2023/24 while the Federal Reserve expects a mild recession beginning in the latter part of calendar year 2023. However, the growth during the pandemic provided a one-time increase in base sales tax and reset of revenue expectations going forward that can be allocated toward City priorities and initiatives.

Adjustments in other City funds reflect the impact of approved Memorandums of Understanding (MOU) with the City's labor groups and adjustments related to rising costs.

Budget Overview – Citywide

The adopted FY 2023/24 Budget totals approximately \$1.32 billion, including the City's operating budget and planned capital projects. Across all City funds, proposed budget adjustments include revenue increases of approximately \$62.07 million and supplemental appropriations of approximately \$65.08 million. With the recommended adjustments, the Proposed FY 2023/24 Amended Budget (Attachment 1) across all City funds will total \$1.38 billion in appropriations. The proposed budget adjustments are detailed in Attachment 2.

General Fund

This comprehensive budget update comes on the heels of years of fiscal instability in the General Fund from several fronts:

- **Structural Deficit:** Ten years after the Great Recession, General Fund revenues had only recovered to 97.3% of pre-recession levels, as cited in the 2018-2020 baseline budget presentation. Measure Z, a local 1% sales tax was approved by voters in November 2016 which shored up revenues, prevented service cuts, and funded new initiatives. However, the past few years of significantly increasing revenues has established a new baseline revenue threshold that has eliminated the previous structural deficit issues. On-going fiscal responsibility in the form of cost containment will be a critical component of maintaining a fiscally sustainable City.
- **CalPERS Challenge:** In FY 2015/16, the California Public Employees' Retirement System (CalPERS) established a new payment strategy for the Unfunded Accrued Liability (UAL), resulting in a significant increase in annual retirement costs. The City initiated the "CalPERS Challenge" to address the rising costs, implementing numerous strategies to minimize the impact on General Fund operations, including the issuance of the 2020 Pension Obligation Bond projected to save a cumulative \$178M over the life of the bonds and the establishment of a Section 115 Trust. Fiscal management strategies continue today, with contributions to the Section 115 Trust budgeted to mitigate the future annual impact of fluctuating UAL costs on General Fund operations.
- **Electric GFT Challenge:** A recent challenge was made to the Electric General Fund Transfer (GFT) provided for in Article XII, Section 1204(f) of the Riverside Municipal Code (RMC). In November 2021, voters reaffirmed the GFT. The Electric GFT provides 14% of projected General Fund revenues in the FY 2023/24 proposed Amended Budget.
- **Covid-19 Pandemic:** Confronted with the unknown impacts of the Covid-19 pandemic, the City took measured and conservative action to ensure the City's financial stability. While some cities reduced revenue projections by 20% or more and laid off staff to offset the financial impact of the pandemic, Riverside froze hiring and reduced revenue projections by 10%, engaged labor unions to extend existing contracts, and was able to retain all existing staff while preserving the General Fund's 20% policy reserves.

A significant one-time increase in the sales tax revenue base has provided a financial "reset" for the City, correcting a chronic structural deficit in the General Fund by making up for years of stagnated revenue growth following the Great Recession. It is important to note that this is a one-time anomaly produced by the Covid-19 pandemic. From this point forward, General Fund revenue growth is expected to flatten with the expectation of a mild recession beginning in late 2023; accordingly, this budget update includes corresponding revised revenue projections. HdL's calendar year 2022 quarter three report projects a -0.4% reduction in sales tax revenue in FY 2023/24, with gradual recovery beginning in FY 2024/25. However, this does not minimize the accomplishments and opportunities that the new revenue base has afforded the City.

In addition to higher sales tax revenue, personnel savings resulting from the temporary hiring freeze and subsequent hiring challenges allowed the City to address some critical needs through the one-time allocation of fiscal year end savings:

- **Electric GFT Settlement:** In May 2021, the City reached a \$24M settlement agreement related to the Electric GFT which required issuance of utility credits/refunds. This amount was able to be repaid from a fiscal year-end surplus without impacting General Fund operations.
- **Salary and benefit increases:** Due to the new and increased base in sales tax revenue, the City was able to approve significant ongoing salary and benefit increases to the City's employees through a collaborative negotiation process with the City's unions. This was an important achievement as the City's employees, alongside the general public, are confronted with rising costs, particularly in housing, food, and healthcare.
- **Section 115 Trust Contributions:** A portion of fiscal year end savings was allocated to the Section 115 Trust which will help the City continue to address fluctuating rising UAL costs and mitigate the future impact on General Fund operations by offsetting spiking payment requirements in future years. The budget update includes an adjustment to budgeted Section 115 Trust contributions, as described later in this report.
- **Infrastructure Reserve:** The prior decades long structural deficits resulted in the City's inability to fund on-going maintenance of City properties. A portion of fiscal year-end savings was allocated to an infrastructure reserve which will provide for the accumulation of resources and associated expenditures for the maintenance and/or replacement of assets. A portion of the reserve was recommended to support capital needs of the Refuse and Parking Funds in the recent FY 2022/23 Second Quarter Financial Report.
- **Streets Projects:** Personnel savings resulting from hiring challenges and a high vacancy rate were recommended for allocation to streets projects in the recent FY 2022/23 Second Quarter Financial Report.

The budget update follows years of budget cuts, flat budgets, and finally, small CPI increases in the 2022-2024 Biennial Budget. The adopted FY 2023/24 General Fund budget totals approximately \$311.11 million with a projected surplus of \$7.12 million preserved for the potential impacts of labor negotiations. (The adopted budget did not include any personnel increases resulting from labor negotiations that took place after budget adoption.)

Proposed FY 2023/24 budget amendments in the General Fund include those approved by Council during the 2021/22 fiscal year, adjustments to address rising costs, and new spending recommendations. With the increase in the sales tax revenue base, departments were encouraged to submit proposals to address neglected operational needs and further the City's strategic priorities. Additional appropriations of \$15.64 million are recommended, almost fully offset by an increase in revenue projections. The resulting \$6.75 million surplus is recommended to be preserved to buffer against the potential impacts of an expected recession and other potentially unknown fiscal impacts; if unused, \$5 million is recommended to be allocated to the Infrastructure & Technology Reserve to ensure adequate funding for the future maintenance and/or replacement of assets. The remaining balance will be required to meet the 20% policy reserve requirement at fiscal year-end.

Summary of FY 2023/24 Proposed Adjustments

| Category | Adopted Budget | Proposed Adjustments | Amended Budget | % Amended |
|---|---------------------|----------------------|---------------------|-----------|
| Revenues and Other Resources | \$ 318,229,147 | \$ 15,267,116 | \$ 333,496,263 | 4.8% |
| Expenditures and Transfers Out | 311,113,181 | 15,637,616 | 326,750,797 | 5.0% |
| Surplus/(Deficit) | \$ 7,115,966 | \$ (370,500) | \$ 6,745,466 | |
| Contribution to Infrastructure & Technology Reserve | | | 5,000,000 | |
| Remaining Balance | | | \$ 1,745,466 | |

Revenue:

A 4.8% increase in FY 2023/24 revenues is projected as compared to the previously adopted budget, primarily due to strong performance in property and sales tax revenue and the projected recovery of various revenue sources that declined during the pandemic.

Summary of FY 2023/24 Proposed Revenue Adjustments

| Category | Adopted Budget | Proposed Adjustments | Amended Budget | % Amended |
|---|-----------------------|----------------------|-----------------------|-------------|
| Property Taxes | \$ 79,895,400 | \$ 4,536,046 | \$ 84,431,446 | 5.7% |
| Sales and Use Tax | 85,914,880 | 8,121,316 | 94,036,196 | 9.5% |
| Utility Users Tax | 33,522,261 | - | 33,522,261 | 0.0% |
| Transient Occupancy Tax | 7,317,100 | 1,265,000 | 8,582,100 | 17.3% |
| Franchise Fees | 5,843,700 | - | 5,843,700 | 0.0% |
| Licenses and Non-Developer Permits | 9,166,455 | 862,400 | 10,028,855 | 9.4% |
| Intergovernmental Revenues | 1,708,525 | - | 1,708,525 | 0.0% |
| Non-Development Charges for Services | 10,769,145 | 145,000 | 10,914,145 | 1.3% |
| Developer Fees and Charges for Services | 6,946,746 | 425,000 | 7,371,746 | 6.1% |
| Fines and Forfeits | 1,921,827 | (4,000) | 1,917,827 | -0.2% |
| Special Assessments | 550,853 | - | 550,853 | 0.0% |
| Miscellaneous Revenues | 3,203,929 | (83,646) | 3,120,283 | -2.6% |
| General Fund Transfer | 53,202,300 | - | 53,202,300 | 0.0% |
| Measure Z Transfer In | 18,266,026 | - | 18,266,026 | 0.0% |
| Total Revenue & Transfers In | \$ 318,229,147 | \$ 15,267,116 | \$ 333,496,263 | 4.8% |

- *Property Tax:* Projections are 5.7% higher than adopted based on updated projections from HdL. The projections reflect activity occurring 18-24 months prior to the receipt of revenue. The increase reflects median price increases, likely due to low interest rates, high demand, and limited properties for sale.

- **Sales Tax:** The revised sales tax projection is 9.5% higher than the adopted budget projection. The increase reflects the higher sales tax base produced by significant gains since FY 2018/19, carrying forward those gains into the current year. In FY 2023/24, HdL projects -0.4% reduction in sales tax revenue while the Federal Reserve expects a mild recession beginning in late 2023. This budget update reflects the revised HdL projections.
- **Other Revenues:** The remaining \$2.61 million of revenue increases reflect revenue sources recovering more quickly than anticipated from the pandemic, such as Transient Occupancy Tax and Developer Fees; higher growth than anticipated in Business Tax revenue; and other minor adjustments.

Expenditures:

When submitting funding requests, departments were required to answer the following questions:

- How is this a critical unfunded need?
- What is the impact to operations should this budget request not be approved?
- How does this request benefit City stakeholders?



The requests were evaluated and selected for funding (subject to Council approval) according to their alignment with the City’s strategic priorities, the primary principle of Priority Based Budgeting. Staff is confident that the items recommended for funding will further the City’s strategic priorities, improve the quality of life for the City’s residents, and enhance City services for the City’s residents, businesses, and other stakeholders.




Summary of FY 2023/24 Proposed Expenditure Adjustments






| Category | Adopted Budget | Proposed Adjustments | Amended Budget | % Amended |
|---|-----------------------|----------------------|-----------------------|-------------|
| Personnel | \$ 220,287,273 | \$ 7,353,660 | \$ 227,640,933 | 3.3% |
| CalPERS UAL | 28,415,464 | 802,830 | 29,218,294 | 2.8% |
| Non-Personnel | 61,463,307 | 5,516,363 | 66,979,670 | 9.0% |
| Special Projects | 7,234,345 | 2,410,000 | 9,644,345 | 33.3% |
| Minor Capital | 416,613 | 885,000 | 1,301,613 | 212.4% |
| Debt Service | 22,716,810 | - | 22,716,810 | 0.0% |
| Charges To/From | (18,357,110) | (527,696) | (18,884,806) | 2.9% |
| Cost Allocation Plan | (22,677,171) | (1,454,581) | (24,131,752) | 6.4% |
| Special Districts Fund Subsidy | 1,430,920 | 2,040 | 1,432,960 | 0.1% |
| Convention Center Fund Subsidy | 5,304,990 | - | 5,304,990 | 0.0% |
| Entertainment Fund Subsidy | 3,863,700 | - | 3,863,700 | 0.0% |
| Cheech Marin Center Subsidy | 1,014,040 | - | 1,014,040 | 0.0% |
| Transfers to Other Funds | - | 650,000 | 650,000 | 100.0% |
| Total Expenditures & Transfers Out | \$ 311,113,181 | \$ 15,637,616 | \$ 326,750,797 | 5.0% |

All budget adjustments are detailed in Attachment 2; the most notable budget adjustments and their alignment with *Envision Riverside 2025* are as follows:

- Personnel:** The adopted personnel budget did not include any projections or assumptions of cost increases potentially resulting from labor negotiations. During FY 2022/23, the City Council approved personnel increases for all employee groups except for the Riverside Fire Management Group, with whom negotiations are currently ongoing. The impact of the approved negotiations has been incorporated into the proposed amended budget alongside a full refresh of position and employee demographics (position reclassifications, employee position assignments, employees' current pay and benefit elections, negotiated increases, etc.). The personnel budget also includes the proposed addition of 41.75 full-time equivalent (FTE) positions, many of which are described in this report, and all of which are described in Attachment 1. 
- Attrition Rate:** Based on the current vacancy rate (13%), recruitment and hiring challenges, and resulting fiscal year-end personnel savings during the last two fiscal years, a 5% attrition rate has been programmed into the amended budget, freeing up funds for allocation to City priorities. It is important to note that the attrition rate is not a target and has therefore been programmed in a non-departmental account. All positions are fully budgeted within applicable departments, and it is the City's intention to fill all budgeted positions as soon as possible. The programmed attrition rate represents the impact of natural attrition (the timing between an individual's departure and the onboarding of replacement personnel) and recognizes that current hiring challenges are producing personnel savings that could be leveraged to advance the City's strategic priorities. Prior to the pandemic, the City's personnel savings averaged less than 2% annually. Staff does not anticipate the 

current attrition rate is representative of future budgets and will periodically analyze and assess the attrition rates for changes in future budgets.

- **CalPERS UAL:** In the adopted budget, the CalPERS Unfunded Accrued Liability (UAL) reflected the programmed UAL payments per the CalPERS Actuarial report dated July 2021. Since then, CalPERS investment returns have fluctuated wildly, posting a 22.4% gain for FY 2020/21 followed by a 7.5% loss in FY 2021/22. Investment returns for the current fiscal year through March are 3.3%, as compared to the target discount rate of 6.8% annually. These fluctuations have significantly impacted the City’s annual UAL costs and programmed smoothing of \$37.9 million over twelve years in the adopted budget. Consequently, the CalPERS UAL budget amendment for FY 2023/24 totals \$11.8 million with a projected smoothing of \$45 million over twelve years. The FY 2023/24 proposed adjustment is approximately \$800,000. 
- **Community & Economic Development (CEDD), \$2.1M, Add 13.0 FTE:**

 - **Economic Development:** Add 5.0 FTE to advance the Economic Development Division and its mission to meet 2025 Envision Riverside Strategic Plan priorities, including Economic Opportunity and High Performing Government. 
 - **Planning:** Add 5.0 FTE to support Citywide development services and increase the expediency, production, and predictability of both the Current and Advanced Planning teams, including case processing and special projects.  
 - **Building and Safety:** Add 3.0 FTE to improve development services by increasing the expediency and predictability of building permit processing and plan check services.  

History of CEDD Staffing








The proposed staffing changes partially restores CEDD to 2007 staffing levels:


| CEDD Division | FTE 2007 | FTE Today | Proposed |
|----------------------|----------|-----------|----------|
| Planning | 37 | 25 | 30 |
| Building | 26 | 22 | 25 |
| Economic Development | 11 | 6.5 | 11.5 |


CEDD Current Staffing Compared with Other City CED Departments

Riverside CEDD has fewer staff members compared with other cities:

| CEDD | Riverside | Anaheim | Santa Ana | Long Beach |
|----------------------|-----------|---------|-----------|------------|
| Square Miles | 81 | 51 | 27 | 80 |
| Populations | 314,998 | 346,824 | 310,227 | 466,742 |
| Economic Development | 6.5 | 10 | 11 | 20 |
| Building | 25 | 30 | 28 | 36 |
| Planning | 22 | 30 | 32 | 82 |

- **Parks Maintenance & Equipment, \$1.3 million:** During recent years of budget constraints, the maintenance and equipment budgets for the Parks, Recreation, and Community Services Department has been redirected toward utilities, contract costs, operational costs of the Bourns Family Youth Innovation Center, and other rising and unavoidable costs. As a result, the maintenance of the City's parks and wildlands has declined, and along with it, the quality of life for Riverside residents and visitors. The requested allocation will enable Parks staff to adequately maintain the City's many general use parks, sports park, and over 2,000 acres of undeveloped parkland. 
- **Security at Libraries and Community Centers, \$1 million:** This allocation will continue security services previously funded by Measure Z at all library branches and expand security services to community centers. 
- **Expand Library Hours, \$600,000, 8.0 FTE:** Add 8.0 part-time, non-benefitted FTE to allow for the expansion of library hours. All library branches will expand open days to include Sundays, and the Main Library will be open for an additional 2 hours in the evenings. 
- **Citywide Events, \$876,000, 1.0 FTE:** Add 1.0 FTE and \$725,000 in event funding to encourage and expand community engagement, tourism, and economic development within the City. Citywide events support and promote local business growth which will ultimately lead to increased revenue generation in the City. 
- **Fire, \$665,000:** The Fire Department does not currently have a budget that provides for the replacement of firefighter gear and equipment as they near the end of useful life. This request will fund a rotational replacement program of critical safety equipment and firefighter gear and address ongoing maintenance needs. 
- **Public Works, \$500,000, 4.0 FTE:** This request will add funding for median maintenance, traffic control, and storm drain maintenance. Two of the positions are expected to be partially reimbursed by charging time worked on capital projects to the Storm Drain and Measure A fund. 
- **City Clerk, \$0, 1.0 FTE:** Add 1.0 FTE to Passport Service to meet increasing demand. The position is expected to generate approximately \$105,000 in new annual revenue as compared to an approximate position cost of \$73,000. 
- **Internal Support Services. \$1.9M, 14.75 FTE:** As City services have expanded, including increased personnel in community facing departments, new capital projects, new spending initiatives, and mandatory requirements, the staff for internal support departments has not been increased to accommodate the new workloads. This request directly supports the High Performing Government priority and indirectly supports all City priorities by providing adequate support staff for departments serving the community. In addition to these changes, the budget update includes adding one 0.5 FTE part-time Council Assistant per Ward as approved by the City Council on March 7, 2023.

 - **City Manager's Office, 3.0 FTE:** Additional staffing will ensure that the City government is managed effectively and that initiatives are addressed quickly and efficiently. Adds an Organizational & Performance Audit Manager and staff for the Office of Sustainability. 

- **City Attorney, 1.0 FTE:** Reorganization replacing 1.0 senior level FTE with 2.0 FTE at a near-breakeven cost. 
- **Human Resources, 4.0 FTE:** Add two staff members to enhance Workforce Development programs; 1.0 FTE to help address hiring and recruitment challenges; and 1.0 FTE to the Benefits team. 
- **General Services, 1.0 FTE:** Add a project manager to assist with deferred maintenance and new major capital projects, including the Police Headquarters, Museum renovation, Eastside Library, and parking garage 8. 
- **Finance, 3.0 FTE:** Create a Compliance and Reporting Division to research, plan, implement, and maintain the many new reporting requirements issued by the Governmental Accounting Standards Board (GASB). 
- **Innovation and Technology, 2.75 FTE:** Reorganization to swap higher-level positions with lower-level positions to provide more resources to address the City's growing technology needs. 

There are additional recommended budget adjustments, including those which address the rising cost of underbudgeted items. All items can be reviewed in detail in Attachment 2.

General Fund Personnel Summary:

In total, 41.75 FTE are recommended to be added to the General Fund with this budget update. The addition of 4.50 FTE was approved during FY 2022/23, and 5.25 FTE are transferred from other funds as responsibilities shifted to General Fund matters.

Summary of Personnel Adjustments and Proposed Additions – General Fund

| Department | Adopted Budget | Approved during FY | Transferred | Proposed | Total |
|--|-----------------|--------------------|-------------|--------------|-----------------|
| 01 – Mayor | 7.75 | - | - | - | 7.75 |
| 02 - City Council | 14.00 | 3.50 | - | - | 17.50 |
| 11 - City Manager | 29.55 | - | 1.00 | 3.00 | 33.55 |
| 12 - City Clerk | 11.00 | - | - | 1.00 | 12.00 |
| 13 - City Attorney | 34.00 | - | - | 1.00 | 35.00 |
| 21 - Human Resources | 31.00 | - | - | 4.00 | 35.00 |
| 22 - General Services | 30.00 | - | - | 1.00 | 31.00 |
| 23 – Finance | 55.00 | - | - | 3.00 | 58.00 |
| 24 - Innovation and Technology | 59.25 | - | - | 2.75 | 62.00 |
| 28 - Community & Economic Development | 106.50 | - | 2.00 | 14.00 | 122.50 |
| 31 – Police | 505.00 | - | - | - | 505.00 |
| 35 – Fire | 233.00 | - | - | - | 233.00 |
| 41 - Public Works | 135.00 | - | - | 4.00 | 139.00 |
| 51 – Library | 60.00 | - | - | 8.00 | 68.00 |
| 52 - Parks, Recreation, & Community Services | 153.85 | 1.00 | 2.25 | - | 157.10 |
| 53 - Museum | 13.50 | - | - | - | 13.50 |
| Total | 1,478.40 | 4.50 | 5.25 | 41.75 | 1,529.90 |

Measure Z (Funds 110 & 420)

As with the General Fund, sales tax in the Measure Z fund has exceeded expectations and produced a new baseline for future revenue projections. Measure Z tax revenue has risen by 33.6% since FY 2018/19. The 2022-2024 Biennial Budget accounted for a portion of this increase based on FY 2020/21 actuals and FY 2021/22 revenue trends at the time of budget development. In doing so, Council was able to approve an additional \$100 million in spending in the Measure Z fund through FY 2026/27, increasing allocations to current spending items, and adding new spending initiatives as shown in the following table. The allocations resulted in projected ending unallocated reserves of \$6.31 million by the end of FY 2026/27.

MEASURE Z – NEW ALLOCATIONS IN ORIGINALLY ADOPTED BUDGET





| Spending Item | FY 2022/23 | FY 2023/24 | FY 2024/25 | FY 2025/26 | FY 2026/27 | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| #25 - RPD Headquarters (Increase) | \$ - | \$ 1,237,977 | \$ 1,282,282 | \$ 1,318,087 | \$ 1,345,392 | \$ 5,183,738 |
| #28 - Annual Deferred Maintenance | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 2,500,000 |
| #29 - Maximize Roads/Streets | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 40,000,000 |
| #30 - Tree Trimming | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 12,500,000 |
| #39 - Public Safety & Engagement Team Program (PSET) – Urban | 412,269 | 1,834,571 | 1,681,847 | 1,922,940 | 2,194,920 | 8,046,547 |
| #48 - Office of Homeless Solutions Expansion | 157,307 | 162,479 | 168,518 | 174,961 | 181,727 | 844,992 |
| #49 - PSET – Wildlands | 5,859,685 | 4,633,429 | 4,750,315 | 4,853,583 | 4,865,277 | 24,962,289 |
| #50 - Public Safety Enterprise Communication System Radios | 343,438 | 343,438 | 343,438 | 343,438 | - | 1,373,752 |
| #51 - Office of Sustainability | 391,293 | 398,636 | 418,127 | 423,994 | 430,050 | 2,062,100 |
| #52 - Sidewalk Repair | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 3,000,000 |
| Total New Allocations | \$ 18,763,992 | \$ 20,210,530 | \$ 20,244,527 | \$ 20,637,003 | \$ 20,617,366 | \$ 100,473,418 |

Subsequent to budget adoption, FY 2021/22 ended with revenues exceeding expectations by \$8.81 million, adding to a new baseline for future sales tax projections. As a result, this budget update increases FY 2023/24 revenue projections by \$5.44 million as compared to the adopted budget, and \$31.97 million through FY 2026/27. This is expected to be the final major “reset” of revenue projections based on the one-time growth produced by the Covid-19 pandemic and inflationary factors. HdL projects flat revenue growth (0%) in FY 2023/24 as compared to FY 2022/23 and gradual recovery beginning in FY 2024/25; the Federal Reserve expects a mild recession beginning in late 2023. The revised projections in this budget update reflect this anticipated flattening and gradual recovery. The Measure Z fund will continue to be closely monitored to ensure that the ongoing rising costs funded by Measure Z (primarily personnel) are sustainable.


Amendments reflected in the Measure Z Spending Plan (Attachment 1) include those approved by the City Council since budget adoption and those currently pending Council consideration. In addition to those items, staff is submitting three spending allocations for Council consideration with alignment to City priorities indicated. The Measure Z Spending Plan has been extended to FY 2027/28. With the inclusion of all items listed, unallocated reserves are projected to be \$8.61 million by fiscal year ending 2027/28. Measure Z policy reserves of \$5 million are maintained separately of the spending plan.

| MEASURE Z SPENDING PLAN | | | | | | |
|--|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| | Projected | Proposed | | | | |
| (in millions) | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Revenue | \$84.43 | \$84.46 | \$86.69 | \$88.41 | \$90.18 | \$91.97 |
| Expenditures (Includes items under discussion) | (96.51) | (96.25) | (92.54) | (96.82) | (99.15) | (95.22) |
| Net Change in Fund Balance | \$(12.08) | \$(11.79) | \$(5.85) | \$(8.41) | \$(8.97) | \$(3.25) |
| Beginning Unallocated Fund Reserves | \$58.96 | \$46.88 | \$35.09 | \$29.24 | \$20.83 | \$11.86 |
| Net Change in Fund Balance | (12.08) | (11.79) | (5.85) | (8.41) | (8.97) | (3.25) |
| Ending Unallocated Fund Reserves | \$46.88 | \$35.09 | \$29.24 | \$20.83 | \$11.86 | \$8.61 |

Measure Z Spending Plan Updates:

- Personnel:** The adopted personnel budget did not include any projections or assumptions of cost increases potentially resulting from labor negotiations. During FY 2022/23, the City Council approved personnel increases for all employee groups except for the Riverside Fire Management Group, with whom negotiations are currently ongoing. The impact of the approved negotiations has been incorporated into the proposed amended budget alongside a full refresh of position and employee demographics (position reclassifications, employee position assignments, employees’ current pay and benefit elections, negotiated increases, etc.). The personnel budget also includes a 9.0 FTE decrease in the Public Safety & Engagement Team (PSET) – Urban for the Parks, Recreation, and Community Services Department, as that division has fulfilled the PSET goals established for their team with filled positions transferred to the General Fund. 
- Spending Item #24 – Eastside Library, \$2,000,000:** Staff proposes a \$2 million allocation of Measure Z funding for architectural and design studies for the Eastside Library to get the project “shovel-ready”. Bringing a project to this stage significantly improves the City’s chances of gaining grant funding for the construction phase of the project. 
- Spending Item #26 – Museum Renovation:** On October 4, 2022, the City Council approved an increase in the total project costs to \$35,000,000. The Measure Z Spending Plan has been updated with new debt service estimates.
- Spending Item #33 – Technology Improvements, \$500,000:** An annual increase in the technology allocation will enable a rotational replacement of security cameras throughout the City (approximately \$275,000 to replace 80 cameras per year), the one-time establishment of laptop inventory (\$140,000), and residual funding for unbudgeted critical technology needs. 
- Spending Item #39 – Public Safety & Engagement Team Program (PSET) – Urban, \$350,000:** The Office of Homeless Solutions is seeking funding to add three clinical therapists via contracted services to help prevent the flow of homeless individuals exiting from the Riverside County Emergency Treatment Services (ETS) to the streets. The clinical therapists will be able to assist individuals experiencing 




homelessness with appropriate services including ongoing mental health services, substance abuse treatment, and shelter resources.

- **Spending Item #53 – Mt. Rubidoux Trail Resurfacing, \$1.78M:** On November 15, 2022, the City Council approved an allocation of \$1.2 million for the design and construction of the Mount Rubidoux Trail Improvements Project. \$250,000 in funding for Mt. Rubidoux approved with the FY 2021/22 Annual Budget was moved from Spending Item #44 - PRCSD Infrastructure, Vehicles, and Equipment to this new spending item to consolidate the project funding under a single spending item. On March 7, 2023, the City Council approved additional funding of \$330,000 for the project, for a total allocation of \$1.78 million.
- **Police K9:** On April 18, 2023, the City Council approved an allocation of \$140,000 in one-time funding for the replacement of up to five Police Service Dogs.
- **PRCS Capital:** A request for a one-time allocation of \$6,492,000 for underfunded park capital improvement projects and for an annual allocation beginning in FY 2024/25 of \$3,500,000 for park facilities deferred maintenance projects was heard by the Financial Performance and Budget Committee in April with a recommendation of support. Due to lack of quorum the item was not able to be presented at the Budget and Engagement Commission. The funding is programmed into the Measure Z Spending Plan.
- **Fire Analog Simulcast Communication System, \$1.57 million:** The Fire Department’s analog simulcast communication system (radio tower) is outdated and has reached the end of its lifespan due to technological advancement.  Upgrading the interoperable communications system will provide lifesaving capabilities that can benefit public safety personnel, citizens, and businesses within the community.

If all proposed items are incorporated into the amended budget, Measure Z reserves will be drawn down to a projected \$8.6 million in FY 2027/28. All Measure Z adjustments are detailed in Attachment 2, in Fund 110 and Fund 420. Certain adjustments between the Measure Z funds are required to accommodate proper accounting methodology for capital projects, but they do not represent an additional allocation of Measure Z revenues.

Sewer Fund (Fund 550)

The adopted FY 2023/24 budget for the Sewer Fund projected a minor surplus. Budget adjustments totaling \$3.63 million are recommended; there are sufficient reserves to accommodate the additional appropriations:

- **Biosolids Hauling and Disposal Budget:** \$2.02 million increase to accommodate a projected increase in volume. 
- **Chemical Budget:** \$1.42 million increase to accommodate substantial cost increases that the supply & logistics sector has experienced the past two years. 
- **Add 1.0 FTE Senior Engineer:** The additional FTE is needed to assist with planned capital projects per capital improvement plan set for in the 2019 Wastewater Master Plan. 

Public Parking (Fund 570)

The FY 2022-2024 adopted budget for the Public Parking Fund was guided by a Parking Ecosystem Sustainability Plan adopted by the City Council on February 15, 2022. The City Council approved the Plan and related parking fee increases with a July 1, 2022 implementation, and included Parking Management Strategies to facilitate parking, reduce congestion, and improve utilization.

On July 19, 2022, the City Council engaged staff in a discussion of the impacts of the Parking Ecosystem Sustainability Plan on the Public Parking program and ultimately directed staff through a motion to: (1) reinstate the parking program prior to July 1, 2022 and return to City Council within three to seven months with an alternative parking program; (2) conduct two community engagement meetings; and, (3) allocate American Rescue Plan Act (ARPA) funds to offset parking garage costs until the City obtains proceeds from the sale of Parking Garages 1 and 2.

On April 18, 2023, the City Council approved a Parking Rate and Hour Schedule. This budget update includes adjustments to the Public Parking Fund to reflect the updated parking fees and related expenditure adjustments. The fund is expected to require a draw on fund reserves in FY 2023/24 in the approximate amount of \$970,000. There are sufficient reserves to accommodate the projected draw.

FY 2022/23 Budget Adjustments

Fairmount Park Golf Cart Barn and Golf Carts

Fairmount Park Golf course is a 55-acre, nine-hole municipal golf course with a range putting green experiencing equipment challenges that impacts potential revenue growth and workplace efficiency. The current fleet of golf carts is kept in a cart barn which is located away from the golf course area. This creates a challenge with safety (theft) and creates work inefficiency as staff time is increased by 3-4 hours daily to retrieve and service the carts. Since January the cart barn has been broken into three times which usually results in stolen or damaged carts. Due to the lack of proximity to the pro shop additional time is needed to pull carts to the course area in the morning and returning carts to the barn upon closing time. The potential theft issues and staff time inefficiency can be decreased with a more secure cart barn within closer proximity to the Pro Shop. The addition of a secure cart barn near the Pro Shop (directly behind the building), will allow on-site staff to extend service hours to patrons from last tee time at 4pm to 6pm, which will also increase golf course revenue. It is estimated that a cart barn would cost approximately \$50,000 including staging and adding 35 new carts would cost approximately \$125,000 for a total budget request of \$175,000.

Historic Preservation Fund

On October 17, 2022, the Historic Preservation Fund Committee voted unanimously to bring the future of the Historic Preservation Fund to City Council for consideration. The discussion included a variety of options for the Historic Preservation Fund including transferring the entirety of the funds to a local, non-profit preservation organization.

Riverside Municipal Code Section 20.30.030 established the Historic Preservation Fund as a preservation incentive for the conservation, preservation, restoration, and rehabilitation of cultural resources in Riverside. The Historic Preservation Fund Committee was established to

administer these funds. The last grant approvals by the Historic Preservation Trust Committee were made on October 17, 2016 and the last payments to grantees were made in June 2022.

In keeping with the direction of the Historic Preservation Fund Committee, staff is recommending that the entirety of the Historic Preservation Fund, totaling \$127,779.36, be transferred to the Old Riverside Foundation to administer. As a 501(c)3 non-profit civic organization incorporated in July 1979, the Old Riverside Foundation is dedicated to the recognition, appreciation, and preservation of the built environment throughout Riverside. The transfer of funds to the Old Riverside Foundation will be used to invest in the preservation of Riverside's historic resources. City staff will work with the Old Riverside Foundation on an agreement for the transfer and administration of the entirety of the remaining Historic Preservation Fund balance.

STRATEGIC PLAN ALIGNMENT:

The topics included in this report align with **Strategic Priority 5: High Performing Government and Goal 5.4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

The report item aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The update of the FY 2023/24 budget is an inclusive and transparent process that incorporates community engagement, involvement of City Boards & Commissions, and timely and reliable information.
2. **Equity** – The Riverside community at large is invited to participate in community engagement efforts and public meetings related to the update of the FY 2023/24 budget. Equity is a major component of the strategic plan and related funding strategies.
3. **Fiscal Responsibility** – The thoughtful and deliberate nature of the City's budget update process and alignment of City resources with the strategic plan demonstrates the City's commitment to responsible management of the City's financial resources while providing quality public services to all.
4. **Innovation** – The methodologies applied to the vetting and presentation of budget requests to ensure advancement of the City's strategic priorities is an innovative approach to decision-making.
5. **Sustainability & Resiliency** – The budget update process facilitates the balancing of current and future needs, thereby supporting the ultimate goal of long-term fiscal stability for the City.

FISCAL IMPACT:

The City's Proposed FY 2023/24 Amended Budget totals \$1.38 billion, an increase of approximately \$65.08 million as compared to the budget adopted by City Council on June 21, 2022. General Fund additional appropriations of \$15.64 million are largely offset by revenue increases of \$15.28 million; the proposed amended budget presents a \$6.7 million (2%) surplus, which will help to buffer the City against a mild recession. The proposed adjustments in the Sewer Fund will require a projected draw on fund reserves of approximately \$3.48 million; there

are sufficient reserves to accommodate the draw while remaining in compliance with the Sewer Fund Reserve Policy. The budget adjustments in the Public Parking Fund will result in a draw on fund reserves of approximately \$970,000; there are sufficient reserves to accommodate the draw.

Funds with non-routine budget adjustments are listed separately in the following table; the adjustments for all other funds are grouped under “Other City Funds”. Routine budget adjustments include personnel budget adjustments resulting from the personnel refresh and MOU impacts; updates in debt service obligations; adjustments required per accounting rules; updated charges to/from departments (often related to shared personnel); and the effect of the updated cost allocation plan.

| Summary of FY 2023/24 Proposed Expenditure Adjustments | | | | |
|--|-------------------------|----------------------|-------------------------|-------------|
| Fund | Adopted Budget | Proposed Adjustments | Amended Budget | % Amended |
| 101 - General Fund | \$ 311,113,181 | \$ 15,637,616 | \$ 326,750,797 | 5.0% |
| 110 - Measure Z Operating Fund | 86,969,369 | 9,826,135 | 96,795,504 | 11.3% |
| 215 - Grants and Restricted Programs | 1,847,105 | (162,492) | 1,684,613 | -8.8% |
| 260 - NPDES Storm Drain | 1,375,764 | 103,495 | 1,479,259 | 7.5% |
| 280 - Housing Authority | 1,830,032 | (196,078) | 1,633,954 | -10.7% |
| 292 - Riverwalk LMD | 583,412 | 252,040 | 835,452 | 43.2% |
| 390 - General Debt Service Fund | 41,939,644 | 2,291,483 | 44,231,127 | 5.5% |
| 401 - Capital Outlay | - | 650,000 | 650,000 | 100.0% |
| 420 - Measure Z Capital Fund | 12,975,000 | 24,412,898 | 37,387,898 | 188.2% |
| 550 - Sewer | 69,147,573 | 4,498,298 | 73,645,871 | 6.5% |
| 570 - Public Parking | 8,128,602 | 419,056 | 8,547,658 | 5.2% |
| 763 - CFD 2015 - 2 Pomelo | - | 333,470 | 333,470 | 100.0% |
| Other City Funds | 782,227,093 | 7,016,567 | 789,243,660 | 0.9% |
| Total | \$ 1,318,136,775 | \$ 65,082,488 | \$ 1,383,219,263 | 4.9% |

Budget Adjustments proposed for FY 2022/23 present a net fiscal impact of \$302,779.36 for the transfer of \$127,779.36 from the Historic Preservation Fund to the Old Riverside Foundation 501(c)3 non-profit civic organization, and the Fairmount Golf Course request of \$175,000.

Prepared by: Kristie Thomas, Assistant Chief Financial Officer
 Certified as to availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
 Approved by: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
 Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Proposed Amended FY 2023/24 Budget
2. Detailed Listing of FY 2023/24 Proposed Budget Adjustments
3. Presentation