



FY 2022/23

Financial Report

(Major Funds)



FISCAL YEAR ENDED

JUNE 30, 2023





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GENERAL FUND

The City adopts a biennial budget and five-year planning process to provide a more informative, long-term outlook on City finances. The following were two primary goals established for the FY 2022-24 budget development cycle:

- Leverage Priority Based Budgeting (PBB) – PBB adds transparency to how public funds are used, providing stakeholders, including the public, with a clearer understanding of how resources are allocated and what outcomes are expected. PBB also ensures the City's limited financial resources are allocated in alignment with its strategic priorities and service needs.
- Long-Term Management of Retirement Costs – The Section 115 Trust Fund was implemented as a financing strategy for planned contributions and withdrawals to/from the Section 115 Trust to smooth the annual fiscal impact of the combined CalPERS Unfunded Actuarial Liability (UAL) and 2020 Pension Obligation Bond payments.

After years of grappling with structural deficits, the two-year budget reflects an unexpected surge in sales tax revenue prompted by the pandemic, contributing to the improvement in the long-term health of the General Fund. The one-time FY 2022/23 budget surplus will help partially offset ongoing fiscal challenges, although it will not provide a comprehensive solution. The City continues to face challenges in funding deferred maintenance and capital infrastructure, rising pension costs, and addressing expiring labor contract needs. For further details on the City's long-term fiscal health, please refer to the section on the General Fund Outlook.

General Fund Results at a Glance (Unaudited)

3.1%
Revenues Exceeded
Revised Budget Projections*

3.9%
Projected
Expenditure Savings

\$21.65M
NET GAIN
Net of Carryovers

The General Fund's **unaudited** actuals present a net gain of \$21.65M net of encumbrances and recommended carryovers, primarily due to revenues performing exceptionally well and actual personnel savings of \$12.83M.

*Excludes \$1.42M in Fire Mutual Aid, \$2.0M insurance reimbursement, and \$3.88M March JPA land sale revenues which were unbudgeted.

The FY 2022/23 General Fund adopted budget totaled \$305.67M with a projected \$4.96M surplus. Budget adjustments throughout the fiscal year presented a potential \$10.66M shortfall, primarily due to revisions in labor MOUs and the unrepresented employee compensation and benefits package.

GENERAL FUND SUMMARY

(in millions)	Adopted Budget	Adjusted Budget	Unaudited Actuals
Incoming Resources			
FY 2022/23 Revenue	\$ 310.63	\$ 342.53	\$ 360.69
FY 2022/23 Use of Reserves		7.00	7.00
Total Incoming Resources	\$ 310.63	\$ 349.53	\$ 367.69
Outgoing Resources			
FY 2021/22 Expenditures	\$ 305.67	\$ 349.95	\$ 333.24
FY 2020/21 Encumbrances		6.49	
FY 2020/21 Carryovers		3.75	
FY 2021/22 Encumbrances			7.07
FY 2021/22 Carryovers			5.73
Total Outgoing Resources	\$ 305.67	\$ 360.19	\$ 346.04
Projected Net Gain / (Loss)	\$ 4.96	\$ (10.66)	\$ 21.65

Revenue

Revenue estimates for the adopted budget were developed using a range of sources, including historical revenue analysis, economic data, input from the City's sales and property tax consultant, City departments, and the County of Riverside. Approximately 79% of the General Fund revenue budget comes from sales and use tax, property taxes, utility users tax, and the General Fund transfers.

Sales and use tax is a major component of the General Fund's revenue stream, constituting approximately 27% of the overall revenue budget. While the onset of the COVID-19 pandemic brought forth concerns of a substantial decline in sales tax revenue due to restrictions on businesses and consumer activity, the outcome defied expectations. An unexpected shift in consumer buying patterns, coupled with pent-up demand and government stimulus measures, resulted in a strong rebound and growth in the City's sales and use tax revenue base. Furthermore, the economy experienced historically high inflation due to heightened consumer and business demand, supply chain disruptions, and tight labor markets, further contributing to the growth of sales and use tax revenue for the City. Uncertain of how consumers and businesses would respond to inflation and its impacts on a slowing economy, the annual growth in sales and use tax was projected at a modest 2.9% over FY 2021/22 projections in the adopted budget.

Other revenues remained steady or demonstrated modest growth despite the impacts of the COVID-19 pandemic. Property taxes were projected at an annual 3.8% growth rate based on the advice of the City's property tax consultant, offset by a projected slowing of Successor Agency property tax revenue. Utility users tax and the General Fund Transfer (GFT) were determined based on electric and water revenue projections.

With the Second Quarter Financial Report, revenue projections were adjusted upward by \$14.41M based on FY 2021/22 actual results and performance to date. Actual revenues exceeded the revised budget by \$10.86M, or 3.1%, excluding unbudgeted amounts of \$1.42M in Fire Mutual Aid revenue, \$2.00M in insurance reimbursement for a City-owned building fire, and \$3.88M in March Joint Power Authority (JPA) land sale revenues. The following table includes the impact of unbudgeted revenues in the Other Revenues and Transfers In category.

REVENUES BY CATEGORY

FISCAL YEAR REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Property Taxes	\$ 79.28	\$ 80.78	\$ 82.83	\$ 2.05	2.5%
Sales and Use Tax	83.51	94.44	93.71	(0.73)	-0.8%
Utility Users Tax	32.80	33.10	34.96	1.86	5.6%
Transient Occupancy Tax	7.10	8.41	8.59	0.18	2.1%
Franchise Fees	5.72	5.72	6.42	0.70	12.2%
Licenses & Non-Developer Permits	8.98	9.47	10.50	1.03	10.9%
Non-Development Charges for Services	10.03	9.97	10.83	0.86	8.6%
Developer Fees & Charges for Services	6.80	6.80	7.31	0.51	7.5%
General Fund Transfer	50.81	50.50	50.50	-	0.0%
Measure Z Transfer	18.27	18.27	18.27	-	0.0%
Other Revenues & Transfers In	7.33	9.16	20.86	11.70	127.7%
ARPA Revenue Replacement	-	15.91	15.91	-	0.0%
Use of Infrastructure Reserve	-	7.00	7.00	-	0.0%
Total Revenues & Transfers In	\$ 310.63	\$ 349.53	\$ 367.69	\$ 18.16	5.2%

Explanation of Significant Budget Variances

- **Property Taxes:** Revenues exceeded updated projections by \$2.05M (2.5%), primarily due to Successor Agency property taxes, which are largely unpredictable and pertain to the City's share of taxes remaining after all redevelopment successor agencies' obligations are settled.
- **Sales and Use Tax:** Although slightly below the adjusted budget estimate, Sales and Use Tax increased by 3.2% over the prior year, demonstrating a return to a more traditional year-over-year growth pattern. Unlike previous years where revenue increases were mainly fueled



by consumption, the current growth in sales tax revenue growth is largely attributed to inflationary factors.

- **Utility Users Tax (UUT):** Owing to the surge in natural gas prices in 2022, the UUT on natural gas experienced a 30% increase through January 2023 compared to the same period in the previous year. Accordingly, a \$0.30M adjustment was made in the second quarter to account for this increase, with the expectation that natural gas prices would normalize. Ultimately, the natural gas UUT exceeded the revised projection by \$1.98M (38%).
- **Franchise Fees:** Franchise fees slightly exceeded projections throughout the fiscal year. However, it's important to note that a significant portion of these revenues is paid annually in the fourth quarter, and these final payments contributed to the \$0.70M (12.2%) variance over projections.
- **Licenses & Non-Developer Permits:** Revenues are \$1.03M (10.9%) higher than projected, primarily due to the exceptional performance of business tax revenue, which exceeded projections by \$1.01M. A significant portion of this increase can be attributed to the Business Tax Discovery and Amnesty program for property rentals, which generated nearly \$500K in additional revenue. Additionally, business taxes are calculated based on the type of business, along with additional increments that may include gross receipts. As such, other factors contributing to the strong performance in business tax revenue may be linked to those influencing sales tax revenues, such as increased consumer spending and the impact of inflation.
- **Non-Development Charges for Services:** Revenues exceeded projections by \$0.86M (8.6%), with the main contributing factors being higher-than-expected revenues from the following sources:
 - \$0.29M for the American Medical Response paramedics program
 - \$0.18M for traffic signal repair billings, stemming from claims dating back to 2018
 - \$0.50M from Parks and Recreation, with \$0.15M attributed to Fairmount Golf Course fees and \$0.36M from recreation programs.
- **Other Revenues & Transfers In:** Other Revenues and Transfers In are \$11.7M (127.7%) higher than projected. Some revenues in this line item are largely unpredictable or volatile, while others are unbudgeted. Some of the major contributing factors to the variance are as follows:
 - \$1.42M in unbudgeted Fire Mutual Aid revenue
 - \$2.5M insurance reimbursement for the Orange St Building fire; only \$0.50M of the \$2.50M insurance reimbursement was expected to be received in FY 2022/23, leaving \$2M unbudgeted
 - \$3.88M from the unbudgeted March JPA Land Sale
 - \$1.05M in investment revenue above projection in the adopted budget

The following table and chart present the 10-year history of General Fund revenues with the impact of **General Fund restructuring and debt proceeds removed to accommodate year-over-year comparability**. The following are not included for any fiscal year: Fire Bond property tax; Fire Mutual

Aid; debt proceeds; required non-operating accounting adjustments (such as adjusting investments to market value), and items moved to other funds during General Fund restructuring in 2015-2017.

10-YEAR REVENUE HISTORY

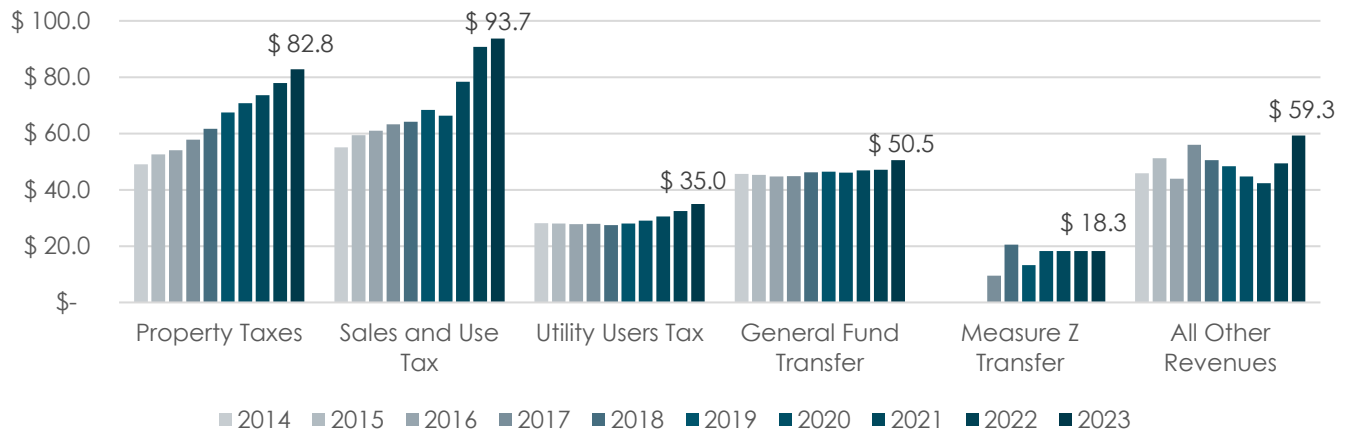
GENERAL FUND REVENUES – 10-YEAR HISTORY

(in millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property Taxes	\$ 49.0	\$ 52.6	\$ 54.0	\$ 57.8	\$ 61.7	\$ 67.4	\$ 70.8	\$ 73.6	\$ 77.9	\$ 82.8
Sales and Use Tax	55.1	59.4	61.0	63.3	64.1	68.4	66.3	78.3	90.8	93.7
Utility Users Tax	28.1	28.1	27.8	28.0	27.5	28.0	29.0	30.6	32.5	35.0
General Fund Transfer	45.7	45.3	44.8	44.9	46.2	46.5	46.1	46.9	47.1	50.5
Measure Z Transfer				9.5	20.5	13.2	18.3	18.3	18.3	18.3
All Other Revenues	45.8	51.2	43.9	56.0	50.5	48.4	44.8	42.3	49.5	59.3
Total Revenues*	\$ 223.7	\$ 236.6	\$ 231.5	\$ 259.5	\$ 270.5	\$ 271.9	\$ 275.3	\$ 290.0	\$ 316.1	\$ 339.6
Growth over Prior Year	3.2%	5.8%	-2.2%	12.0%	4.3%	0.5%	1.2%	5.3%	9.0%	7.5%


*Excludes items that impair comparability from year-to-year, as previously described.

In this view, Property Taxes, Sales and Use Tax, Utility Users Tax, and the General Fund Transfer accounted for 77.1% of all General Fund revenues in 2023. In the past 10 years, the total of these revenue sources as a percent of total revenues has ranged from a low of 73.8% in 2018 to a high of 81.0% in 2016.

10-YEAR GENERAL FUND REVENUE (in millions)



As illustrated in the chart, Property Tax has shown steady growth over the past decade. Sales and Use Tax exhibited nominal growth until a surge in fiscal years 2021 and 2022, which culminated in a 37% increase in revenues compared to 2019, driven by the impact of the pandemic and change in consumer spending. Future growth in Sales and Use Tax is expected to return to normal, as indicated by the 3.2% growth rate in 2023, although still subject to economic fluctuations. Following several years of stagnant revenue, Utility Users Tax (UUT) began to increase year-over-year and is now on a steady upward trend. However, a decline may be anticipated next year if natural gas



prices return to normal levels. The General Fund Transfer averaged 0% growth until the current year, with increases in electric and water rates offsetting lower consumption. All Other Revenues will fluctuate based on interest earnings, bad debt write-offs, sale of land and capital assets, and other one-time revenues. The current year increase over the prior year is attributable to strong interest earnings, lower bad debt write-offs, an insurance reimbursement, and monies received from the March JPA land sale.

Expenditures

The FY 2022/23 expenditure budget is comprised of the adopted budget of \$305.67M, \$10.24M of unexpended funds carried forward from the previous fiscal year, and \$44.28M of budget adjustments occurring during the fiscal year. In the FY 2022/23 second quarter report, supplemental appropriations leveraged \$24.41M in total projected revenue enhancements and personnel savings. Additionally, \$7.00M was utilized from the General Fund Infrastructure Reserve. Major supplemental adjustments posted during the fiscal year included:

- Revisions to various labor MOUs and the unrepresented employee's compensation and benefits package, inclusive of \$11.60M in employee stipends: \$18.69M
- Capital Investment in streets, medians, and City facilities: \$12.55M
- Other needs identified in the FY 2022/23 second quarter report and mid-cycle update, including increased utility costs; animal control; security, vandalism & theft issues at the Heritage House and City parks; and other miscellaneous items: \$3.47M
- Use of Infrastructure Reserves for Refuse (\$5.00M) and Public Parking (\$2.00M) funds' capital needs.

The total adjusted budget for FY 2022/23 is \$360.19M.

Actual expenditures at fiscal year-end are \$333.24M before encumbrances and recommended carryovers totaling \$12.80M. Encumbrances of \$7.05M and grant carryovers of \$0.02M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$5.73M in discretionary and restricted carryovers**, detailed in Appendix A of this report. If the carryovers are approved, total expenditures savings for FY 2022/23 will be \$14.15M, or 3.9%, of the total adjusted budget.

EXPENDITURES BY CATEGORY

FISCAL YEAR EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 217.56	\$ 226.19	\$ 213.36	\$ (12.83)	-5.7%
CalPERS UAL – Safety	11.16	11.16	11.16	-	0.0%
CalPERS UAL – Miscellaneous	5.05	5.05	5.05	-	0.0%
Non-Personnel Costs	57.35	71.36	72.06	0.70	1.0%
Special Projects	7.14	9.38	8.65	(0.73)	-7.8%
Minor Capital & Grants	0.42	1.49	1.55	0.06	4.0%
Debt Service	32.94	32.94	32.94	-	0.0%
Charges To/From	(17.90)	(18.14)	(19.34)	(1.20)	6.6%
Cost Allocation Plan	(21.65)	(21.65)	(21.65)	-	0.0%
Transfers to Other Funds	0.89	29.32	30.25	0.93	3.2%
Special Districts Fund Support	1.40	1.40	1.44	0.04	2.9%
Convention Center Fund Support	6.00	6.38	6.78	0.40	6.3%
Entertainment Fund Support	4.32	4.32	3.12	(1.20)	-27.8%
Cheech Marin Center Fund Support	0.99	0.99	0.67	(0.32)	-32.3%
Total Expenditures & Transfers Out	\$ 305.67	\$ 360.19	\$ 346.04	\$ (14.15)	-3.9%

*Unaudited Actuals includes \$7.05M in encumbrances and \$0.02M project/grant carryovers recorded as allowed by the Riverside Municipal Code; and \$5.73M in other carryovers recommended for Council approval (refer to Appendix A).

Explanation of Significant Budget Variances

- **Personnel:** Personnel savings is attributable to a high vacancy rate and the supplemental appropriations recorded to account for the potential fiscal impact of increased employee compensation and benefits. Personnel expenditure and savings details are discussed later in this report.
- **Special Projects:** Savings were experienced in the Non-Departmental programs for the City Manager's Audit Program and the Citywide Fiscal Management account, as well as in the Community and Economic Development Department's program for the Innovation District.
- **Charges To/From:** Savings of \$1.20M is attributable to an increase in reimbursements for General Fund departments' direct support service costs to non-General Fund departments and programs funded by alternative revenue sources, such as grants, Gas Tax, and utility revenues.
- **Fund Support:** The General Fund covers debt obligations and provides operating contributions to the Convention Center, Entertainment Fund, and Cheech Marin Center. Total operating revenues for the Fox Performing Arts Theater, the Riverside Municipal Auditorium, and the Box outperformed projected revenues by \$2.74M, resulting in a lower contribution required from the General Fund.

EXPENDITURES BY DEPARTMENT

FISCAL YEAR DEPARTMENTAL RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	Overage/ (Savings)	% Variance
Mayor	\$ 0.90	\$ 0.99	\$ 0.93	\$ (0.06)	-6.1%
City Council	1.32	1.50	1.36	(0.14)	-9.3%
City Manager	4.79	6.13	5.48	(0.65)	-10.6%
City Clerk	1.38	1.78	1.76	(0.02)	-1.1%
City Attorney	5.30	5.89	5.26	(0.63)	-10.7%
Human Resources	3.66	4.46	3.95	(0.51)	-11.4%
General Services	4.89	5.43	4.75	(0.68)	-12.5%
Finance	7.68	8.68	7.91	(0.77)	-8.9%
Innovation & Technology	12.24	14.47	13.36	(1.11)	-7.7%
Community Development	17.27	21.61	18.23	(3.38)	-15.6%
Police	114.40	123.23	111.00	(12.23)	-9.9%
Fire	63.14	66.27	65.81	(0.46)	-0.7%
Public Works	18.26	22.70	19.21	(3.49)	-15.4%
Library	8.34	9.76	8.58	(1.18)	-12.1%
Parks, Rec, & Comm. Services	23.10	27.40	26.74	(0.66)	-2.4%
Museum	2.20	2.67	2.18	(0.49)	-18.4%
Non-Departmental	38.45	58.87	71.18	12.31	20.9%
Cost Allocation Plan	(21.65)	(21.65)	(21.65)	-	0.0%
Total Expenditures & Transfers Out	\$ 305.67	\$ 360.19	\$ 346.04	\$(14.15)	-3.9%

*Unaudited Actuals includes \$7.05M in encumbrances and \$0.02M project/grant carryovers recorded as allowed by the Riverside Municipal Code; and \$5.73M in other carryovers recommended for Council approval (refer to Appendix A).

Explanation of Significant Budget Variances

- **City Manager:** The department experienced \$0.26M in personnel savings due to vacancies and \$0.35M in under-expenditures in the budget for professional services.
- **City Attorney:** The department experienced \$0.5M in personnel savings due to vacancies.
- **Human Resources:** The department experienced \$0.44M in personnel savings due to vacancies.
- **General Services:** The department experienced \$0.49M in personnel savings due to vacancies, \$0.2M in under-expenditures in the budget for professional services for building maintenance and \$0.13M in under-expenditures in the budget for building and structure improvements.
- **Community Development:** The department experienced \$2.6M in personnel savings due to vacancies and \$0.29M less expenditures than budgeted for the Innovation District project.

- **Public Works:** The department experienced \$2.45M in personnel savings due to vacancies and \$0.63M of savings in construction and maintenance materials.
- **Library:** The department experienced \$0.70M in personnel savings due to vacancies and \$0.25M in lower-than-budgeted expenditures for professional services and internet provider service costs.
- **Museum:** The department experienced \$0.50M in personnel savings due to vacancies.
- **Non-Departmental:** The \$12.31M overage is attributed to \$3.1M in required accounting entries related to new Governmental Accounting Standards Board (GASB pronouncements) and a \$10M budget adjustment for vacancy savings. The adjustment, recorded with the second quarter mid-cycle budget update, recognized budget savings to date and allowed for the reallocation of the savings to other spending needs..

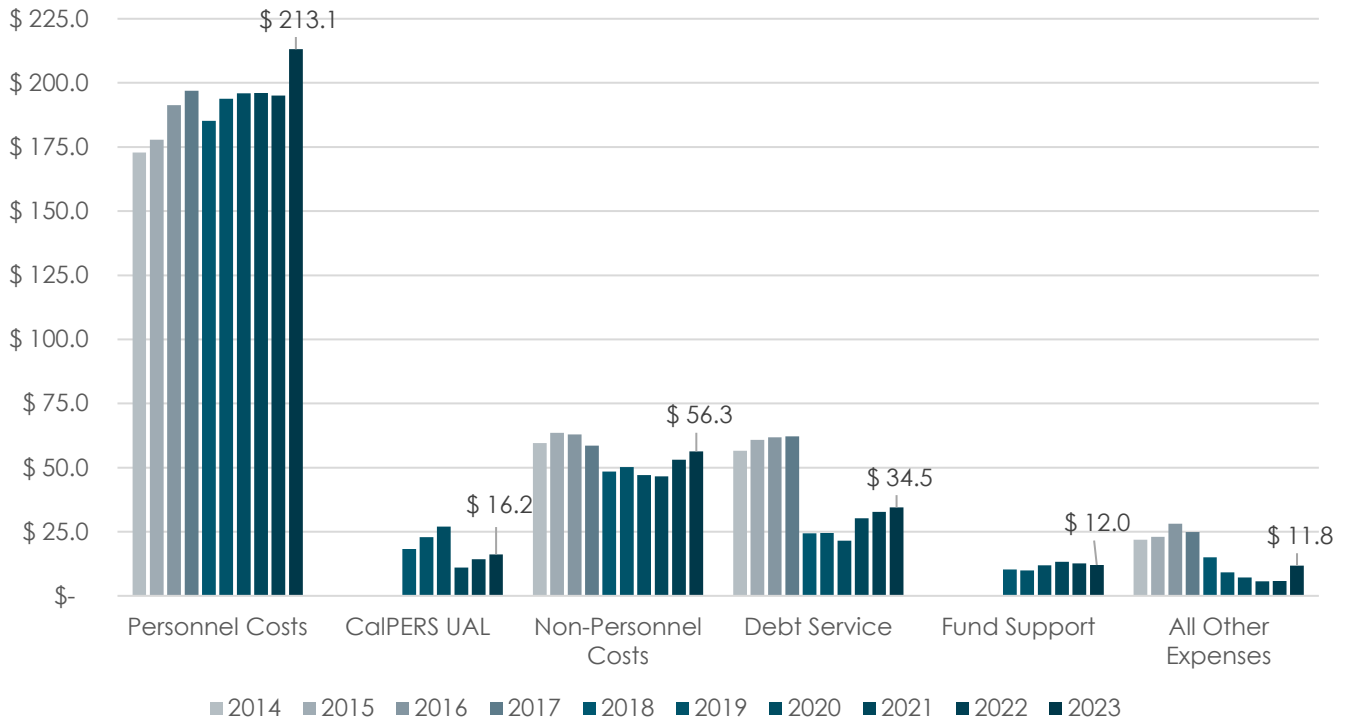
10-YEAR EXPENDITURE HISTORY

The following table and chart show the 10-year history of General Fund expenditures, excluding Operating Transfers. The 2023 actuals in the following table will differ from the previous charts as the actuals below do not include carryovers and encumbrances totaling \$12.80M.

GENERAL FUND EXPENDITURES – 10-YEAR HISTORY


(in millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Personnel Costs	\$ 172.9	\$ 177.9	\$ 191.3	\$ 197.0	\$ 185.2	\$ 193.8	\$ 196.0	\$ 196.0	\$ 195.1	\$ 213.1
CalPERS UAL – Safety					11.4	14.3	17.2	7.2	9.5	11.2
CalPERS UAL – Misc					6.8	8.6	9.8	3.9	4.8	5.0
Non-Personnel Costs	59.6	63.6	62.9	58.6	48.5	50.3	47.1	46.6	53.1	61.4
Special Projects	9.4	13.9	14.6	16.8	7.3	6.8	6.2	4.5	5.4	7.4
Minor Capital	6.5	4.0	8.0	3.9	2.9	2.1	0.8	0.4	0.3	0.7
Grants	5.9	5.1	5.5	4.1	4.9	0.4	0.2	0.8	0.1	0.3
Debt Service	56.6	60.9	61.8	62.2	24.3	24.5	21.6	30.2	32.8	32.9
Charges To/From	(16.4)	(16.9)	(17.2)	(16.7)	(17.4)	(19.5)	(17.2)	(20.6)	(18.6)	(19.3)
Cost Allocation Plan	(18.6)	(18.1)	(20.2)	(19.9)	(18.9)	(24.1)	(26.3)	(23.4)	(23.5)	(21.7)
Fund Support					10.3	9.9	11.9	13.2	12.7	12.0
Total Expenditures	\$ 275.9	\$ 290.4	\$ 306.7	\$ 306.0	\$ 265.3	\$ 267.1	\$ 267.3	\$ 258.8	\$ 271.7	\$ 303.0
Growth over Prior Year	3.3%	5.3%	5.6%	-0.2%	-13.3%	0.7%	0.1%	-3.2%	5.0%	11.5%

10-YEAR GENERAL FUND EXPENDITURES (in millions)



Explanation of Significant Trend Variations

- Personnel Costs:** The 7.5% spike in 2016 is due to an additional pay period in the fiscal year and the impact of MOU negotiations. The Partnership Compensation Model produced maximum salary increases under MOU provisions in 2018 and 2019. The 6.0% reduction in 2018 is due to balancing measures to address the General Fund structural deficit and the shifting of some personnel to Measure Z. The \$18.00M (9.2%) increase in 2023 is attributable to a reduction in the vacancy rate as compared to the prior year, \$11.60M paid for employee stipends, and increases in employee compensation and benefits due to newly negotiated labor agreements.
- CalPERS UAL:** CalPERS separated the Unfunded Actuarial Liability (UAL) from normal retirement costs in 2018 and established a UAL payment methodology to address unfunded retirement costs. In 2021, the City issued a Pension Obligation Bond which shifted some CalPERS UAL costs to the Debt Service category.
- Debt Service:** Through 2017, citywide activity related to outstanding Pension Obligation Bonds were passed through the General Fund for accumulation before sending the resources to the Debt Service Fund to make the annual debt payment. This intermediate step was discontinued in 2018.
- Special Projects and Fund Support:** The entertainment venues that are now housed in the Convention Center and Entertainment Funds were moved into the General Fund in 2015 and later removed and established as enterprise funds in 2018. General Fund support of



these funds is recorded as Fund Support for transparency. Special projects further declined with restructuring that moved activities funded by restricted funds to the new Grants and Restricted Programs Fund. The decline in 2021 and 2022 is primarily attributable to pandemic effects on events such as the Festival of Lights. In 2023, the \$2.00M increase is due to a \$1.30M increase in Animal Control, which is a service contracted through the County of Riverside, and the resumption of the Festival of Lights following a 2-year hiatus during the pandemic.

PERSONNEL

Explanation of Actual Personnel Expenditures

During the fiscal year, the personnel budget was increased by approximately \$18.40M to accommodate estimated MOU fiscal impacts, including \$11.60M for employee stipends.

At the end of the fiscal year, the General Fund experienced a high vacancy rate of 11.5%, marking a notable improvement from the 13.0% reported at the end of FY 2021/22. Similar to FY 2021/22 and consistent with respondents to the 2023 State and Local Workforce Survey, the City continued to face challenges related to retention, recruitment, and hiring during FY 2022/23. The Human Resources (HR) Department has endeavored to fill vacant positions through extended job postings and, in some cases, maintained continuous postings; bolstered advertising efforts; and actively participated in hiring and career fair events. Furthermore, HR is actively working to position the City as an employer of choice, focusing on outreach initiatives to attract a diverse and highly skilled workforce while aligning the recruitment and selection process with values of diversity, equity, and inclusion.



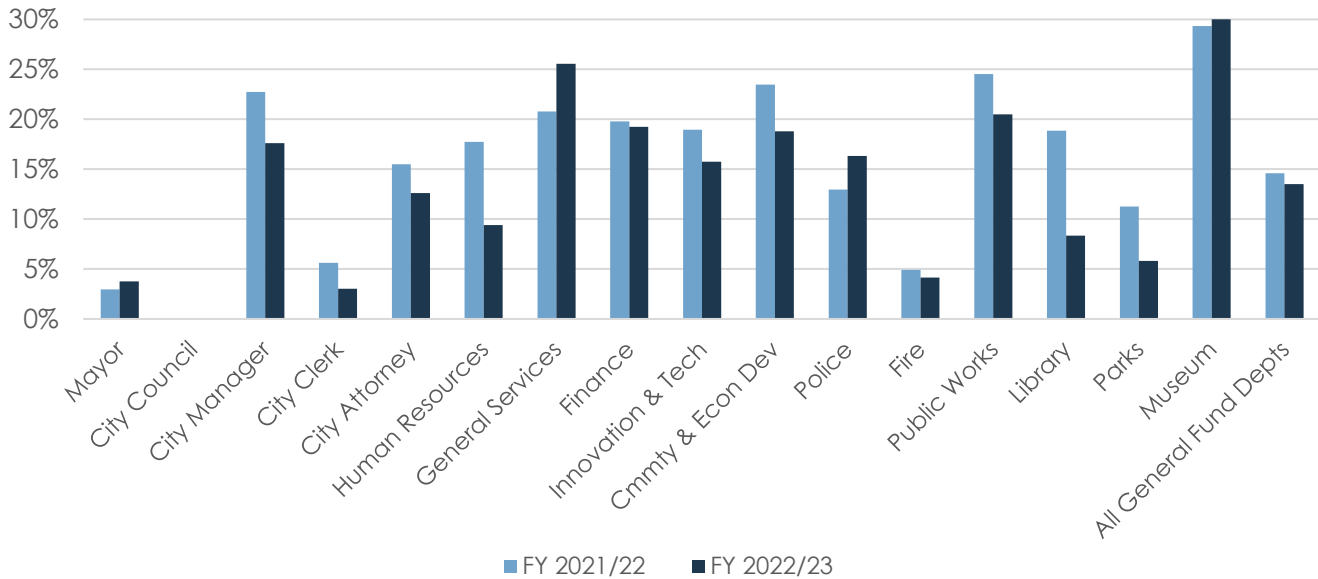
2023 STATE AND LOCAL WORKFORCE SURVEY

ALTHOUGH THE PRIVATE SECTOR HAS LARGELY RECOVERED, STATE AND LOCAL EMPLOYMENT STILL LAGS ITS PRE-PANDEMIC FEBRUARY 2020 TOTALS. VACANCIES FOR MANY KEY OCCUPATIONS REMAIN HARD TO FILL. 70% OR MORE OF RESPONDENTS REPORTED THAT THEY RECEIVED FEWER QUALIFIED APPLICANTS THAN THERE WERE POSITIONS AVAILABLE TO BE FILLED.

Missionsquare Research Institute
<https://slge.org/resources/state-and-local-government-workforce-survey-2023>

The following chart depicts the average vacancy rate for FY 2021/22 and FY 2022/23 for each department in the General Fund, as well as the General Fund as a whole. Several departments experienced similar or higher average vacancy rates in FY 2022/23 as compared to the prior year.

GENERAL FUND AVERAGE FTE VACANCY RATE



10-Year Personnel Cost History

GENERAL FUND PERSONNEL COSTS – 10-YEAR HISTORY

(in millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Salaries	\$ 104.3	\$ 104.9	\$ 117.9	\$ 115.6	\$ 116.7	\$ 122.2	\$ 124.4	\$ 124.7	\$ 122.3	\$ 140.5
Leave Payoffs	3.6	4.3	3.4	4.0	4.7	5.5	6.1	7.0	6.2	6.7
Overtime	11.6	12.4	13.2	12.3	14.7	15.0	15.4	17.1	17.4	16.1
Insurances	16.0	17.5	19.0	19.0	19.1	20.6	19.7	18.1	21.4	21.6
Retirement	34.6	35.3	40.8	42.6	44.9	49.8	53.6	37.5	38.5	40.5
Payroll Accruals	0.5	1.0	(5.9)	0.6	0.3	0.4	1.1	0.4	0.7	0.5
Other	2.3	2.5	2.9	2.9	3.0	3.2	2.7	2.4	2.8	3.5
Total Personnel & CalPERS UAL Costs	\$ 172.9	\$ 177.9	\$ 191.3	\$ 197.0	\$ 203.4	\$ 216.7	\$ 223.0	\$ 207.2	\$ 209.4	\$ 229.3
Growth over Prior Year	1.6%	2.9%	7.6%	3.0%	3.3%	6.5%	2.9%	-7.1%	1.1%	9.5%

Explanation of Significant Trend Variations

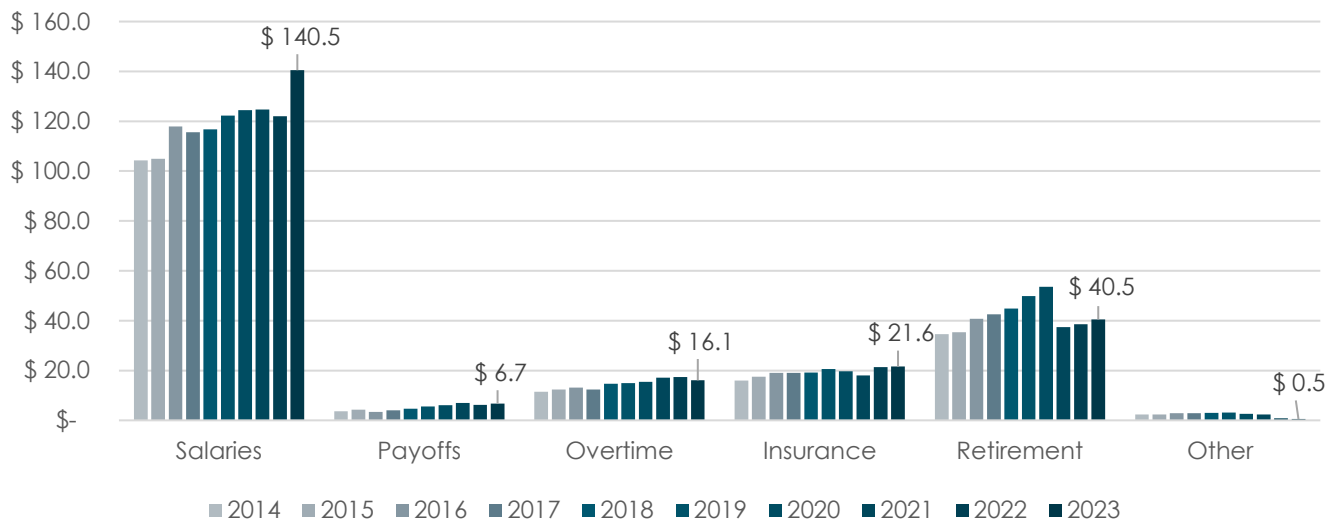
- **Salaries:** In 2016, the spike in salary costs is attributable to several factors, including:
 - 27 biweekly pay periods in 2016, as compared to the usual 26 pay periods per year.
 - Renegotiation of Memoranda of Understanding (MOU), which included an estimated \$3.90M immediate impact related to the Police MOUs.

In 2018 and 2019, the Partnership Compensation Model produced maximum salary increases under MOU provisions. The 2018 impact was partially offset by the shifting of some personnel to Measure Z.

In 2023, renegotiation of MOUs resulted in salary increases and employee stipends, leading to a significant growth in salary costs.

- **Overtime:** The 7.5% decrease in overtime in 2023 is attributable to \$1.57M in lower Fire Mutual Aid overtime as compared to the prior year.
- **Retirement:** Retirement costs declined \$16.20M in 2021 due to a lump sum paydown with the issuance of a Pension Obligation Bond (POB).
- **Other:** The 25% increase in other personnel costs includes an increase in deferred compensation benefits; heightened use of temporary services to backfill position vacancies; and higher Medicare costs coinciding with compensation increases.

10-YEAR GENERAL FUND PERSONNEL COSTS



Maintaining Reserves

The City's policy reserve level is 20%, comprised of a 15% Emergency Reserve and a 5% Contingency Reserve.

At each fiscal year end, fund reserves are calculated as a percentage of the following year's adopted budget. Since adopted appropriations typically increase from year to year, a 20% corresponding increase in reserves is required to maintain the reserve level (\$200,000 for each \$1M increase in appropriations). However, this annual increase in the reserve requirement is not formally incorporated into the adopted budget. Therefore, General Fund savings is typically needed at the end of each fiscal year to ensure that the reserve level is maintained.

The required increase in the 20% General Fund policy reserve based on the adopted FY 2022/23 budget is \$3.74M.

The FY 2023/24 adopted budget totals \$327.09M, requiring 20% reserves of \$65.42M.

Fund Reserves

The beginning fund balance includes all amounts available to spend at the end of the previous fiscal year and 20% policy reserves. Current year activity, including new encumbrance and carryover balances, required accounting changes in other fund reserves, and recomputed policy reserves are subtracted or added to the beginning fund balance to arrive at the new balance of projected surplus reserves. This amount is available for allocation per Council direction.

FUND BALANCE (in millions)

Beginning Fund Balance (Audited)	\$ 70.77
FY 2022/23 Activity	
Revenues	\$ 360.69
Use of Infrastructure Reserves	7.00
Expenditures	(333.24)
Encumbrances/Projects/Grants	(7.07)
Restricted Carryovers*	(4.43)
Discretionary Carryovers*	(1.30)
Subtotal	\$ 21.65
Change in Other Reserves	\$ (2.23)
Net Change in Fund Balance	\$ 19.42
Fund Balance Reserves	
15% Emergency Reserve	\$ (49.06)
5% Contingency Reserve	(16.36)
Total Policy Reserves	\$ (65.42)
Projected Surplus Reserves	\$ 24.77

*Subject to Council approval – refer to Appendix A.



GENERAL FUND OUTLOOK


While the short-term outlook for the General Fund has improved with strong performance in sales tax revenue and modest growth in other revenue sources, there are still significant financial issues that present challenges to the long-term fiscal health of the General Fund:

- **Water General Fund Transfer:** Although the City has received a temporary reprieve in the Measure C litigation, the City needs to strategically position itself against future challenges to the Water General Fund Transfer to mitigate the risk to City services that would result from the loss of this heavily relied upon revenue source. On September 19, 2023, the City Council directed that all future Water General Fund transfer collections be placed in a reserve account pending the outcome of litigation. Staff will consider the impact of the approximate \$8.50M annual loss of revenue in the General Fund during the development of the next biennial budget.
- **Deferred Maintenance and Infrastructure:** The City needs to formally establish a long-term program for infrastructure investment in much needed deferred maintenance and capital investments. Current needs are typically addressed with one-time revenues and savings, which is an unsustainable practice. While over \$1.6 billion in capital asset investments were made during the Riverside Renaissance period in the mid-2000's, planning for the ongoing maintenance of those investments was not included in subsequent budgets.
- **Rising Pension Costs:** The financial markets continued to impede the financial performance of the CalPERS retirement fund, yielding a 5.8% return on investments for the fiscal year ended June 30, 2023. Although this is less than the 6.8% forecasted return rate, it is an improvement over the disappointing negative 6.1% rate of return at the end of FY 2021/22. Future investment returns below expectations could lead to higher unfunded liabilities and annual required payments.
- **Labor Costs:** With most MOU contracts set to expire in June 2025, the outcome of future labor negotiations holds the potential to significantly impact personnel costs for the City. Balancing the need to provide competitive salary increases to recruit and retain highly qualified employees, while maintaining financial sustainability, will present a challenge.

RECOMMENDED USE OF SURPLUS RESERVES

At the conclusion of FY 2022/23, projected surplus reserves total \$24.77M. The following details staff's recommendation for the use of the surplus reserves to help fund two of the major fiscal challenges described above:

Section 115 Trust: Recognizing the \$8.50M annual loss stemming from the Water General Fund transfer, staff recommends strategically allocating \$20.00M of the surplus reserves to offset the annual projected contributions to the Section 115 Trust over the FY 2025-2029 General Fund Five-Year Plan. The Section 115 Trust was established to support the long-term fiscal management of the CalPERS UAL. The Trust allows the City to smooth the combined UAL and POB payment requirements to avoid spikes in the payment schedules and significant pressure on General Fund



finances in future years. This strategic use of surplus reserves will serve as a fiscally prudent solution to ensure the CalPERS UAL is funded, while simultaneously releasing the General Fund's limited incoming resources to sustain critical programs and services.

In addition to the recommended use of FY 2022/23 surplus reserves, staff proposes a strategic reallocation of \$15.00 million from reserves originally earmarked for MOU Impacts towards offsetting the annual projected contributions to the Section 115 Trust throughout the FY 2025-2029 General Fund Five-Year Plan. This will provide additional flexibility for the General Fund to utilize its limited incoming resources in sustaining critical programs and services. In the FY 2021/22 Fourth Quarter Financial Report, the City Council approved staff's recommendation of allocating \$15.00 million from surplus reserves to address 2022 MOU negotiations impacts. However, due to personnel savings resulting from a high vacancy rate in FY 2022/23, these reserves proved unnecessary, allowing for a strategic reallocation to an alternative purpose.

General Fund Infrastructure Reserves: Staff recommend allocating the remaining \$4.77M of the surplus reserves to the Infrastructure Reserves to address the ongoing maintenance and/or replacement of capital assets.

MEASURE Z FUNDS

The financial reporting of Measure Z focuses on a Spending Plan format, which is a different presentation method than the financial reporting of other funds. The spending plan methodology provides a transparent and accessible illustration of Measure Z activity without the "noise" of formal accounting requirements and debt-funded capital projects:

- Measure Z activity is tracked in two funds as required by accounting rules: the Measure Z operating fund and the Measure Z capital fund. The capital fund includes all major capital activity, while the operating fund includes all other activity. Fund resources are transferred from the operating fund to the capital fund as needed to fund approved capital projects. These interfund transfers have a net zero impact and are not reported in the Spending Plan.
- Some Measure Z capital items are funded by debt, including Library construction, Fire vehicle replacement, and Police helicopters. Measure Z's current resources are used to pay the annual debt obligations, and these debt payments are reported in the Spending Plan. The spending of debt proceeds for capital purposes do not represent a use of Measure Z tax revenue, so they are not reported in the Spending Plan.

Revenue

The adopted budget projection of \$76.80M in total revenues was revised to \$84.43M in the Second Quarter Financial Report based on FY 2021/22 actual results and performance to date. During the two years of the pandemic, sales tax revenue surged by an impressive 33%, defying expectations

from economists and the City's sales tax consultant. Additionally, although sales tax growth is anticipated to stabilize with the Federal Reserve's actions to correct inflation, the new base level of sales tax revenue is expected to remain relatively steady, serving as a revised foundation for future sales tax projections. Total revenues came in at \$85.84M, which is \$1.41M higher than the revised budget and 2.3% higher than the prior year. The current year increase in Measure Z revenue is predominantly the result of inflationary factors rather than increased consumption compared to past years.

The following table reports the revenue history for Measure Z since inception.

MEASURE Z REVENUES SINCE INCEPTION

(in millions)	2017	2018	2019	2020	2021	2022	2023
Transaction & Use Tax (TUT)	\$ 12.61	\$ 56.20	\$ 62.29	\$ 62.38	\$ 72.00	\$ 83.16	\$ 84.02
Interest Revenue	-	0.04	0.53	0.76	0.65	0.75	1.82
Total Revenues	\$ 12.61	\$ 56.24	\$ 62.82	\$ 63.14	\$ 72.65	\$ 83.91	\$ 85.84
TUT Growth over Prior Year	100%	346.1%	11.7%	0.5%	15.1%	15.5%	2.3%

Expenditures

Measure Z expenditures are inconsistent due to the number of long-term initiatives and projects financed by Measure Z resources. This results in an accumulation of resources and carryover of funding in spending items of those types. Furthermore, the amount available for carryover and the resources required to fund Measure Z initiative have been impacted by increased costs for materials, equipment, construction, and debt financing due to changes in market conditions related to inflation.

Actual expenditures at fiscal year-end are \$69.61M before encumbrances and carryovers of \$48.65M. Encumbrances of \$24.62M and capital carryovers of \$11.50M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$12.53M in discretionary carryovers**, detailed in Appendix A of this report.

For inception-to-date expenditure reporting by funded item, refer to the Measure Z Spending Plan in Appendix B of this report.

Unallocated Fund Reserves

Actual Measure Z revenues of \$85.84M and expenditures of \$69.61M produced a net increase of fund reserves of \$16.23M. Projected unallocated fund reserves (unaudited) are anticipated to total \$58.98M net of encumbrances and recommended carryovers totaling \$48.65M. The FY 2022-2024 Amended Biennial Budget includes a Five-Year Spending Plan with a programmed draw on reserves from FY 2023/24 through FY 2027/28 totaling \$38.27M. Staff recommends that unallocated reserves remain intact and incorporated into the preparation of the FY 2024-26 Biennial Budget.

MEASURE Z ACTIVITY AND PROJECTED FUND RESERVES

(in millions)	2017	2018	2019	2020	2021	2022	2023
Revenue	\$ 12.61	\$ 56.24	\$ 62.82	\$ 63.14	\$ 72.65	\$ 83.91	\$ 85.84
Expenditures	(9.98)	(36.14)	(40.99)	(49.57)	(50.85)	(67.45)	(69.61)
Encumbrances & Carryovers							(48.65)
Net Change in Fund Balance	\$ 2.63	\$ 20.10	\$ 21.83	\$ 13.57	\$ 21.80	\$16.46	\$(32.42)
Beginning Unallocated Fund Reserves	\$ -	\$ 2.63	\$ 22.73	\$ 39.56	\$ 53.14	\$ 74.94	\$ 91.40
Net Change in Fund Balance	2.63	20.10	21.83	13.57	21.80	16.46	(32.42)
Fund Balance Reserve Policy	-	-	(5.00)	-	-	-	-
Ending Unallocated Fund Reserves	\$ 2.63	\$ 22.73	\$ 39.56	\$ 53.13	\$ 74.94	\$ 91.40	\$ 58.98

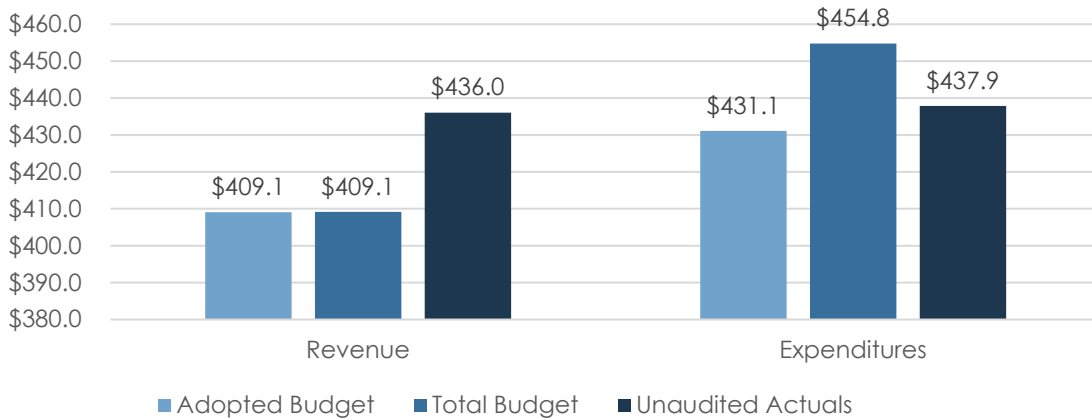
The Measure Z Reserve Policy adopted by City Council on April 2, 2019, requires a minimum \$5M contingency reserve level. This amount was removed from unallocated fund reserves in 2019 and is held intact separately of unallocated reserves reported in the Spending Plan.

ELECTRIC FUND

The FY 2022/23 adopted operating budget for the Electric Fund included a programmed \$21.99M operating deficit and draw on fund reserves. This is a financial strategy employed to draw reserves down to keep rate increases as low as possible. Unaudited fiscal year end results present an operating deficit of \$1.84M including outstanding encumbrances and carryovers of \$17.33M.

The Total Budget in the following chart and tables includes the carryover of the previous fiscal year's unexpended funds and adjustments to the revenue and expenditure budgets made during the normal course of business. Actual expenditures include \$17.33M of outstanding encumbrances and carryovers to reflect budgetary savings.

ELECTRIC FUND BUDGET TO ACTUAL (in millions)



Revenue

Total revenues at fiscal year-end are 6.6% (\$26.90M) greater than revenue projections in the total budget.

FISCAL YEAR OPERATING REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Retail Sales	\$ 353.21	\$ 353.21	\$ 347.49	\$ (5.72)	-1.6%
Transmission Revenue	32.79	32.79	35.23	2.44	7.4%
Other Operating Revenue	11.75	11.75	26.45	14.70	125.1%
Miscellaneous Revenue	8.50	8.53	17.01	8.48	99.4%
Capital Contributions	2.85	2.85	9.85	7.00	245.6%
Total Revenues	\$ 409.10	\$ 409.13	\$ 436.03	\$ 26.90	6.6%

Explanation of Significant Budget Variances

- Retail Sales:** Electric revenues were \$5.72M below projections. Residential revenues were 4.4% higher than budget due to 6.7% higher consumption compared to the prior year. However, commercial/industrial revenues were 5.4% below budget due to 6.2% lower consumption compared to the prior year.
- Other Operating Revenue:** The City received an allocation of emissions allowances that exceeded what was needed to offset its greenhouse gas emissions. These surplus allowances were sold at higher-than-anticipated market prices, resulting in an unexpected revenue increase of \$12.00M. Furthermore, revenue from the sale of excess electricity to external entities exceeded projections by an additional \$4.19M.
- Miscellaneous Revenue:** The City received \$1.80M in unexpected revenues resulting from performance liquidated damages for two vendors' failure to deliver 80% of the expected energy for the contract year. Interest revenue exceeded expectations by \$1.19M. The sale of vacant land generated \$5.22M in unbudgeted revenue.
- Capital Contributions:** Revenue exceeded projections by \$7.0M, or 245.6%, due to increased developer activity (construction) and donated underground electrical conduit, donated street lighting, and donated land rights and easements. Revenue from the latter is not budgeted as it is highly unpredictable.

Expenditures

The FY 2022/23 total expenditure budget for the Electric Fund is comprised of the adopted budget of \$431.09M; \$13.84M of unexpended funds carried forward from the previous fiscal year; and \$9.86M in budget adjustments, which includes \$6.67M for approved MOU impacts and employee stipends. The total adjusted budget for FY 2022/23 is \$454.81M. The following table illustrates budgetary savings of \$16.94M after \$17.33M of encumbrances and carryovers.

FISCAL YEAR OPERATING EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 71.90	\$ 78.58	\$ 64.07	\$ (14.51)	-18.5%
Power Supply	229.84	229.77	249.84	20.07	8.7%
Operating & Maintenance	28.34	45.38	36.28	(9.10)	-20.1%
Debt Service	58.18	58.75	45.35	(13.40)	-22.8%
General Fund Transfer	42.83	42.33	42.33	-	0.0%
Transfers to Other Funds	-	-	-	-	0.0%
Total Expenditures & Transfers Out	\$ 431.09	\$ 454.81	\$ 437.87	\$ (16.94)	-3.7%

*Includes \$8.90M in encumbrances and \$0.03M grant carryovers recorded as allowed by the Riverside Municipal Code; and \$8.40M in other carryovers recommended for Council approval (refer to Appendix A).



Explanation of Significant Budget Variances

- **Personnel:** Personnel costs were \$14.51M, or 18.5%, less than total budget due to a high average annual vacancy rate of 18.7% during the fiscal year. At June 30, 2023, the Electric Fund had 70 vacant positions.
- **Power Supply:** Power supply costs were \$20.07M, or 8.7%, higher than total budget due to a combination of exceptionally elevated winter natural gas prices and elevated power prices, along with global market disturbances.
- **Operating & Maintenance:** Savings of \$9.10M, or 20.1%, were realized in the budgets for professional services, maintenance of buildings, and software, which are utilized on an 'as-needed' basis or as technology projects are implemented.
- **Debt Service:** Savings of \$13.40M, or 22.8%, is primarily attributable to a projected revenue bond issuance that did not occur in FY 2022/23. Additionally, savings resulted from the amortization of debt issuance costs, which includes the premium on debt. This is a non-cash accounting adjustment that reflects the gradual allocation of the costs over the term of the debt.

Actual operating expenditures at fiscal year-end are \$420.54M before encumbrances and carryovers of \$17.33M. Encumbrances of \$8.90M and grant carryovers of \$0.03M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$8.40M in operating carryovers**, detailed in Appendix A of this report. If the carryovers are approved, the operating expenditure savings for FY 2022/23 will be \$16.94, or 3.7%, of the total budget.

Capital expenditures totaling \$290.95M were recorded during the fiscal year; this amount includes \$25.67M of encumbrances and \$238.47M of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

Fund Reserves

Reserve levels at fiscal year-end are expected to be within established policy levels; results are pending the completion of the financial audit.

Subsequent Event

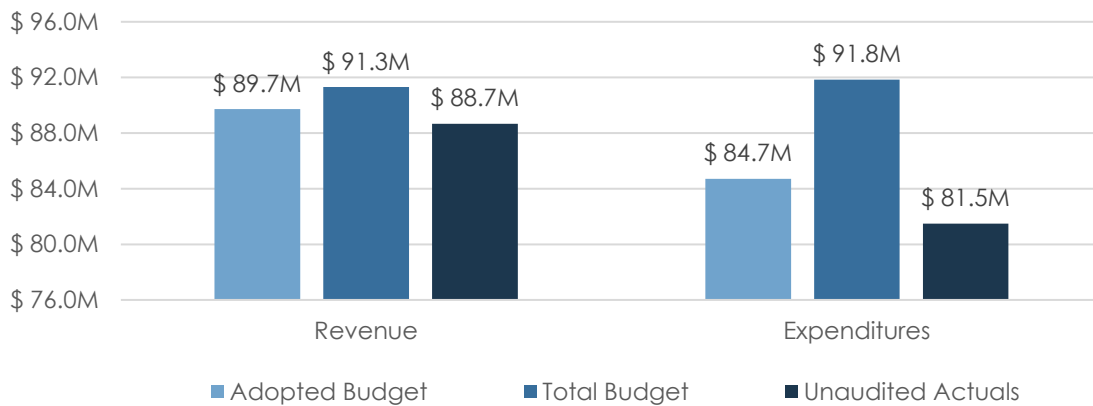
On September 19, 2023, the City Council adopted a resolution approving and establishing the electric utility rate plan for FY 2023/24 through FY 2027/28, which will be effective January 1, 2024. The five-year electric utility rate plan will fund future operating and capital costs, maintain reserve levels and financial metrics that comply with RPU's fiscal and reserve policies, and maintain current bond ratings to keep borrowing costs for capital investments low.

WATER FUND

The FY 2022/23 adopted operating budget for the Water Fund includes an operating gain of \$5.01M. Unaudited fiscal year end results present a budgetary operating gain of \$7.19M after outstanding encumbrances and carryovers of \$2.85M.

The Total Budget in the following chart and tables includes the carryover of the previous fiscal year's unexpended funds, and adjustments to the revenue and expenditure budgets made during the normal course of business. Actual expenditures include \$2.85M of outstanding encumbrances and carryovers to reflect budgetary savings.

WATER FUND BUDGET TO ACTUAL (in millions)



Revenue

Total revenues at fiscal year-end are -2.9% (\$2.64M) less than revenue projections in the total budget.

FISCAL YEAR OPERATING REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Retail Sales	\$ 76.01	\$ 76.01	\$ 69.88	\$ (6.13)	-8.1%
Conveyance/Wholesale	5.70	5.70	5.03	(0.67)	-11.8%
Other Operating Revenue	2.60	2.60	2.70	0.10	3.8%
Miscellaneous Revenue	5.41	7.00	11.06	4.06	58.0%
Total Revenues	\$ 89.72	\$ 91.31	\$ 88.67	\$ (2.64)	-2.9%

Explanation of Significant Budget Variances

- **Retail Sales:** Water revenues were \$6.13M below projections. A heavy rainy season and water conservation resulted in a decrease of 11.6% in residential consumption and a 10.2% decrease in non-residential consumption compared to prior year.
- **Conveyance/Wholesale:** Revenues fell short of projections by \$0.67M, or -11.8%, entirely due to a shortfall in the wholesale of water to external entities.
- **Miscellaneous Revenue:** Revenue exceeded projections by \$4.06M, or 58.0%, due to \$1.26M bond interest revenue earned on cash held by fiscal agent for the 2022 Water Revenue Bonds Series A issuance; \$1.49M in excess land and building rental revenues; and \$1.22M in unbudgeted donated plant assets from developers consisting of transmission mains, transmission and distribution services, and transmission and distribution fire hydrants.

Expenditures

The FY 2022/23 total expenditure budget is comprised of the adopted budget of \$84.71M; \$4.52M of unexpended funds carried forward from the previous fiscal year; \$2.4M resulting from approved MOUs and employee stipends; and other budget adjustments made during the normal course of business. The total adjusted budget for FY 2022/23 is \$91.83M. The following table shows budgetary savings of \$10.35M after \$2.85M of encumbrances and carryovers.


FISCAL YEAR OPERATING EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 24.83	\$ 27.21	\$ 23.98	\$ (3.23)	-11.9%
System Operations	27.82	32.36	28.57	(3.79)	-11.7%
Debt Service	24.08	24.09	20.76	(3.33)	-13.8%
General Fund Transfer	7.98	8.17	8.17	-	0.0%
Total Expenditures & Transfers Out	\$ 84.71	\$ 91.83	\$ 81.48	\$ (10.35)	-26.4%

*Includes \$2.08M in encumbrances and \$0.26M grant carryovers recorded as allowed by the Riverside Municipal Code; and \$0.50M in other carryovers recommended for Council approval (refer to Appendix A).

Explanation of Significant Budget Variances

- **Personnel:** Personnel costs were \$3.23M, or 11.9%, less than total budget due to a high average annual vacancy rate of 10.2% during the fiscal year. At June 30, 2023, the Water Fund had 17 vacant positions.
- **System Operations:** Savings of \$3.79M, or 11.7%, were realized in the budgets for professional services and software maintenance support that are used on an “as-needed” basis, as well as a decrease in purchased energy and water expenditures due to lower electricity and chemical costs.
- **Debt Service:** Savings of \$3.33M, or 13.8%, is primarily attributable to the 2022 Water Revenue Series A Bond issued in December 2022. Principal and interest payments on the revenue



bonds were budgeted; however, the first principal payment is due in FY 2023/24 and only half the budgeted interest payment was due in FY 2022/23. Additionally, savings resulted from the amortization of the debt issuance costs, which includes the premium on debt. This is a non-cash accounting adjustment that reflects the gradual allocation of the costs over the term of the debt.

Actual operating expenditures at fiscal year-end are \$78.63M before encumbrances and carryovers of \$2.85M. Encumbrances of \$2.08M and grant carryovers of \$0.26M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$0.50M in operating carryovers**, detailed in Appendix A of this report. If the carryovers are approved, operating expenditure savings for FY 2022/23 will be \$10.35M, or 11.3% of the total budget.

Capital expenditures totaling \$64.95M were recorded during the fiscal year; this amount includes \$10.83M of encumbrances and \$35.21M of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

Fund Reserves

The Water Fund is expected to end the fiscal year with reserves within required policy levels; results are pending the completion of the financial audit.

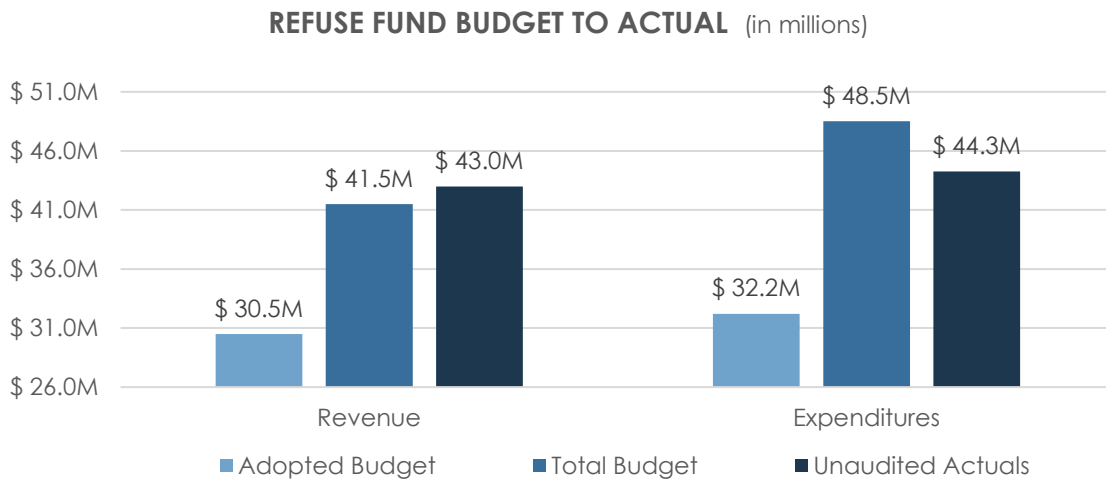
Subsequent Event

On September 19, 2023, the City Council adopted a resolution approving and establishing the water rate plan for FY 2023/24 through FY 2027/28, to be effective October 1, 2023. The five-year water utility rate plan will fund future operating and capital costs, maintain reserve levels and financial metrics that comply with RPU's fiscal and reserve policies, and maintain current bond ratings to keep borrowing costs for capital investments low.

REFUSE FUND

The adopted operating budget for the Refuse Fund projected a draw on fund reserves of \$1.71M due to a decline of recycling revenues precipitated by a reduction in industry demand, rising recycling costs, increased tonnage, and anticipated increases in parking fines assessed for street sweeping. Unaudited fiscal year end results present an operating loss of \$1.29M after FY 2022/23 encumbrances and carryovers of \$10.78M and inclusive of contributions from the General Fund and American Rescue Plan Act (ARPA).

The Total Budget in the following chart and tables includes the carryover of the previous fiscal year's unexpended funds totaling \$4.41M and adjustments to revenue and expenditure budgets made during the normal course of business. Actual expenditures include \$10.78M of outstanding encumbrances and carryovers to reflect budgetary savings.



Revenue

The Solid Waste rate plan adopted by City Council in September 2020 included a Year 3 increase in rates effective July 1, 2022. The total revenue budget for the Refuse Fund includes a \$5.00M contribution from General Fund Infrastructure Reserves for the purchase of new refuse vehicles and a \$6.00M allocation of grant funds from ARPA. The ARPA allocation includes \$4.00M for refuse and street sweeping vehicles and \$2.00M for revenue replacement, which is included in the Miscellaneous Revenue category shown in the following table. Total revenues at fiscal year-end are 3.6% (\$1.48M) greater than revenue projections in the total budget.

FISCAL YEAR OPERATING REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
City Service	\$ 16.17	\$ 16.17	\$ 16.44	\$ 0.27	1.7%
Contracted Service	6.04	6.04	6.13	0.09	1.5%
Administrative Fees	6.85	6.85	7.54	0.69	10.1%
Street Sweeping Fines	1.36	1.36	1.36	0.00	0.0%
Miscellaneous Revenue	0.08	0.08	0.51	0.43	3.9%
American Rescue Plan Act Revenue Replacement	-	6.00	6.00	-	0.0%
General Fund Contribution	-	5.00	5.00	-	0.0%
Total Revenues	\$ 30.50	\$ 41.50	\$ 42.98	\$ 1.48	3.6%

Explanation of Significant Budget Variances


- Administrative Fees:** Revenues exceeded projections by \$0.69M, or 10.1%, attributable to increased generation of administrative fees charged to haulers providing residential and commercial solid waste collection services.

Expenditures

The FY 2022/23 total expenditure budget for the Refuse Fund is comprised of the adopted budget of \$32.21M; \$4.41M of unexpended funds carried forward from the previous fiscal year; \$0.87M resulting from the impact of approved MOU and employee stipends; and a combined \$9.00M allocated for the purchase of refuse and street sweeping vehicles. This allocation includes \$4.00M in ARPA funding and \$5.00M from the General Fund's Infrastructure Reserve. Additionally, \$1.30M of the \$2.00M ARPA revenue replacement funding was budgeted to cover excess anticipated operating costs. The following table shows budgetary savings of \$4.24M after \$10.78M of encumbrances and carryovers.

FISCAL YEAR OPERATING EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 6.37	\$ 7.25	\$ 6.37	\$ (0.88)	-12.1%
Non-Personnel	13.28	16.79	14.66	(2.13)	-12.7%
Special Projects	6.54	7.98	7.38	(0.60)	-7.5%
Minor Capital & Equipment	0.90	11.37	10.97	(0.40)	-3.5%
Debt Service	0.55	0.55	0.55	-	0.0%
Charges To/From Others	4.57	4.57	4.34	(0.23)	-5.0%
Total Expenditures & Transfers Out	\$ 32.21	\$ 48.51	\$ 44.27	\$ (4.24)	-8.7%



**Includes \$9.56M in encumbrances recorded as allowed by the Riverside Municipal Code; and \$1.22M in other carryovers recommended for Council approval (refer to Appendix A).*

Explanation of Significant Budget Variances

- **Personnel:** Personnel costs were \$0.88M, or 12.1%, less than total budget due to a high average annual vacancy rate of 19.7% during the fiscal year. At June 30, 2023, the Refuse Fund had 12 vacant positions.
- **Non-Personnel:** Savings totaling \$2.13M, or 12.7%, primarily result from budget adjustments made to address anticipated increases in operating costs, offset by the ARPA allocation for revenue replacement.

Actual operating expenditures at fiscal year-end are \$33.49M before encumbrances and carryovers of \$10.78M. Encumbrances of \$9.56M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$1.22M in operating carryovers**, detailed in Appendix A of this report. If the carryovers are approved, operating expenditure savings for FY 2022/23 will be \$4.24M, or 8.7% of the total budget.

Capital expenditures totaling \$0.01M were recorded during the fiscal year; this amount includes \$0.01M of encumbrances that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

Fund Reserves

The Refuse Fund is projected to end the fiscal year with \$6.19M in fund reserves following an operating loss of \$1.29M and cash infusion of a combined \$11M in General Fund contributions and ARPA funding.

Subsequent Event

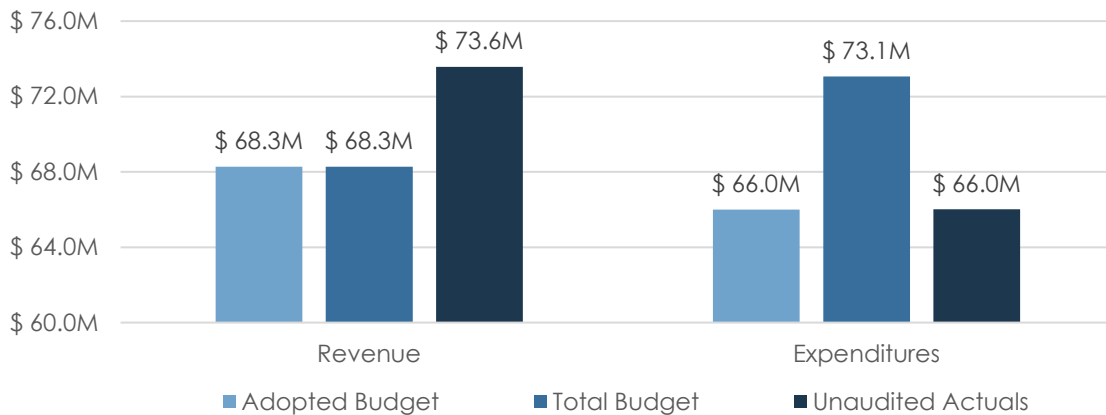
On September 19, 2023, the City Council adopted a resolution approving and establishing the residential solid waste rate structure from November 1, 2023, through June 30, 2028. The five-year residential solid waste rate plan will address challenges to solid waste services provided by the City such as of the rising cost of processing recycling and organics and meeting operational cost increases not covered by CPI (e.g. higher costs of refuse bins, vehicles, maintenance, and repairs). Additionally, Public Works will use the funds to hire additional staff, replace vehicles, address technology deficiencies, obtain software needed to comply with State requirements, and prepare for the on-going maintenance and repair of the Tequesquite Landfill Flare Station.

SEWER FUND

The adopted budget for the Sewer Fund projected a net operating gain of approximately \$2.27M which would be used to fund \$2.05M of planned capital projects included in the FY 2022/23 adopted budget and capital improvement plan. Unaudited fiscal year end results present a budgetary operating gain of \$7.55M after outstanding encumbrances and carryovers of \$2.49M.

The Total Budget in the following chart and tables includes the carryover of the previous fiscal year's unexpended funds (\$3.76M) and adjustments to the revenue and expenditure budgets made during the normal course of business. Actual expenditures include \$2.49M of outstanding encumbrances and carryovers to reflect budgetary savings.

SEWER FUND BUDGET TO ACTUAL (in millions)



Revenue

Total operating revenues at fiscal year-end are 7.8% (\$5.30M) higher than revenue projections in the adopted budget.

FISCAL YEAR OPERATING REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
Residential Rate Revenue	\$ 45.90	\$ 45.90	\$ 46.40	\$ 0.50	1.1%
Commercial Rate Revenue	16.01	16.01	14.99	(1.02)	-6.4%
Wastewater Service Contracts	3.04	3.04	5.10	2.06	67.8%
Miscellaneous Revenue	3.32	3.32	7.08	3.76	113.0%
Total Revenues	\$ 68.27	\$ 68.27	\$ 73.57	\$ 5.30	7.8%

Explanation of Significant Budget Variances

- **Wastewater Service Contracts:** Revenue from Wastewater Service Contracts with the Rubidoux, Jurupa, and Edgemont Community Service areas exceeds projections by \$2.06M, representing a 67.8% increase. This variance is primarily attributable to surcharges resulting from higher levels of wastewater sent to the Regional Water Quality Control Plant.
- **Miscellaneous Revenue:** Miscellaneous revenues exceeded projections by \$3.76M, or 113.0%, primarily due to sewer connection fees surpassing the budget by \$3.78M, driven by increased housing development activity.

Expenditures

The FY 2022/23 total expenditure budget for the Sewer Fund is comprised of the adopted budget of \$66.00M; \$3.76M of unexpended funds carried forward from the previous fiscal year; \$1.60M resulting from approved MOUs and employee stipends; and budget adjustments made during the normal course of business. The total adjusted budget for FY 2022/23 is \$73.06M. The following table shows budgetary savings of \$7.04M after \$2.49M of encumbrances and carryovers.

FISCAL YEAR OPERATING EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 15.64	\$ 17.26	\$ 14.10	\$ (3.16)	-18.3%
Non-Personnel	17.49	22.76	21.63	(1.13)	-5.0%
Special Projects	2.27	2.27	2.14	(0.13)	-5.7%
Minor Capital & Equipment	1.34	1.51	1.28	(0.23)	-15.2%
Debt Service	26.70	26.70	24.68	(2.02)	-7.6%
Charges To/From Others	2.56	2.56	2.19	(0.37)	-14.5%
Total Expenditures & Transfers Out	\$66.00	\$ 73.06	\$ 66.02	\$ (7.04)	-9.6%

*Includes \$1.67M in encumbrances recorded as allowed by the Riverside Municipal Code; and \$0.83M in other carryovers recommended for Council approval (refer to Appendix A).

Explanation of Significant Budget Variances

- **Personnel:** Personnel costs were \$3.16M, or 18.3%, less than total budget due to a high average annual vacancy rate of 19.2% during the fiscal year. At June 30, 2023, the Sewer Fund had 25 vacant positions.
- **Minor Capital & Equipment:** Savings of \$0.23M, or 15.2%, were realized in the budget for sewer equipment and construction that is budgeted on an “as needed” basis.
- **Debt Service:** Savings of \$2.02M resulted from the amortization of debt issuance costs, which includes the premium on debt. This is a non-cash accounting adjustment that reflects the gradual allocation of the costs over the term of the debt.

- 
- **Charges To/From Others:** The amount charged to capital projects will vary depending upon project activity.

Actual operating expenditures at fiscal year-end are \$63.53M before encumbrances and carryovers of \$2.49M. Encumbrances of \$1.67M have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. **Staff is requesting Council approval of an additional \$0.83M in operating carryovers**, detailed in Appendix A of this report. If the carryovers are approved, operating expenditure savings for FY 2022/23 will be \$7.04M, or 9.6% of the total budget.

Capital expenditures totaling \$51.76M were recorded during the fiscal year; this amount includes \$10.66M of encumbrances and \$34.94M of unexpended capital project funds that have been carried forward **to FY 2023/24 as provided for in the Riverside Municipal Code.**

Fund Reserves

The Sewer Fund is expected to end the fiscal year with \$56.62M in fund reserves following an operating gain of \$7.55M.

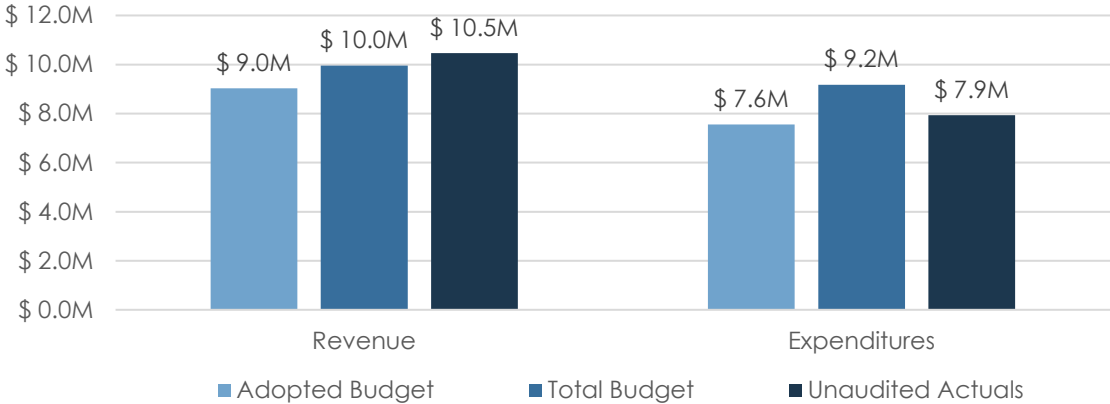


PUBLIC PARKING FUND

The FY 2022/23 adopted operating budget for the Public Parking Fund included a projected \$1.47M operating gain. Unaudited fiscal year end results present a budgetary operating gain of \$3.74M after outstanding encumbrances of \$0.10M and inclusive of contributions from the General Fund and American Rescue Plan Act (ARPA).

The Total Budget in the following chart includes the carryover of the previous fiscal year's unexpended funds (\$0.19M) and adjustments to the revenue and expenditure budgets made during the normal course of business. Actual expenditures include \$0.10M of outstanding encumbrances and carryovers to reflect budgetary savings.

PUBLIC PARKING FUND BUDGET TO ACTUAL (in millions)



Revenue

Parking revenues in the adopted budget included new parking rates, which were subsequently rescinded. To account for the rescinded parking rates, the revenue budget was reduced by \$2.59M. The total revenue budget for the Public Parking Fund includes a \$2.00M contribution from the General Fund Infrastructure Reserve for parking garage maintenance and improvements and a \$1.50M allocation of grant funds from ARPA for revenue replacement. On April 18, 2023, the City Council approved a new Parking Rate and Hour Schedule effective July 1, 2023, which is expected to begin generating a net gain for the fund in FY 2024/25.

Total operating revenues at fiscal year-end are 5.2% (\$0.52M) higher than revenue projections.

FISCAL YEAR OPERATING REVENUE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals	\$ Variance	% Variance
User Fees	\$ 7.96	\$ 5.37	\$ 5.84	\$ 0.47	8.8%
Miscellaneous Revenue	1.08	1.08	1.13	0.05	4.6%
American Rescue Plan Act Revenue Replacement	-	1.50	1.50	-	0.0%
General Fund Contribution	-	2.00	2.00	-	0.00
Total Revenues	\$ 9.04	\$ 9.95	\$ 10.47	\$ 0.52	5.2%

Explanation of Significant Budget Variances

- User Fees:** Revenues from parking exceeded updated projections by \$0.47M, an 8.8% increase. Nevertheless, parking utilization on weeknights has lagged behind historical trends, likely influenced by reduced discretionary spending. Notably, a slight acceleration has been observed with the return of special events to the downtown area. Daytime activity has also risen as workers have resumed on-site work following the pandemic.

Expenditures

The FY 2022/23 total expenditure budget for the Public Parking Fund is comprised of the adopted budget of \$7.56M; \$0.19M of unexpended funds carried forward from the previous fiscal year; \$0.22M resulting from approved MOUs and employee stipends; and budget adjustments made during the normal course of business. The total adjusted budget for FY 2022/23 is \$7.97M. The following table shows budgetary savings of \$1.24M after \$0.10M of encumbrances.


FISCAL YEAR OPERATING EXPENDITURE RESULTS

(in millions)	Adopted Budget	Total Budget	Unaudited Actuals*	\$ Variance	% Variance
Personnel	\$ 1.42	\$ 1.64	\$ 1.26	\$ (0.38)	-23.2%
Non-Personnel	4.70	4.89	3.96	(0.93)	-19.0%
Debt Service	1.77	1.77	1.84	(0.07)	4.0%
Charges To/From Others	(0.33)	(0.33)	(0.33)	-	0.0%
Total Expenditures & Transfers Out	\$ 7.56	\$ 7.97	\$ 6.93	\$ (1.24)	-15.6%

*Includes \$0.10M in encumbrances recorded as allowed by the Riverside Municipal Code.

Explanation of Significant Budget Variances

- Personnel:** Personnel costs were \$0.38M, or 23.2%, less than the total budget due to a high average annual vacancy rate of 29.0% during the fiscal year. At June 30, 2023, the Public Parking Fund had 7 vacant positions.

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- **Non-Personnel:** Savings is primarily due to under-expenditures for professional services (\$0.93M savings) budgeted on an “as-needed” basis.

Actual operating expenditures at fiscal year-end are \$6.93M before \$0.10M in encumbrances, which have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

Capital expenditures totaling \$2.15M were recorded during the fiscal year; this amount includes \$0.27M of encumbrances and \$1.26M of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

Fund Reserves

Following a FY 2022/23 net gain of \$3.74M, the Public Parking Fund is expected to end the fiscal year with \$3.48M in fund reserves, inclusive of a combined \$3.5M in General Fund contributions and ARPA funding.

APPENDIX A – CARRYOVER RECOMMENDATIONS

Restricted Carryovers represent appropriations of funding designated for a specific use per a third-party agreement, including donations, endowments, and grant matches.

Discretionary Carryovers include amounts appropriated for a specific purpose in previous periods, but unexpended due to timing or for other reasons. Discretionary carryovers may also include a reallocation of amounts from their original purpose to a new purpose, either identified as an emerging need or not funded in the adopted budget due to budget constraints.

CARRYOVER SUMMARY BY FUND

	Restricted	Discretionary	Total
General Fund	\$ 1,298,367.30	\$ 4,428,211.69	\$ 5,726,578.99
Measure Z Fund	-	12,534,077.08	12,534,077.08
Grants and Restricted Programs Fund	4,486,236.43	-	4,486,236.43
Gas Tax Fund	-	272,160.76	272,160.76
Housing Authority Fund	665,450.66	-	665,450.66
Special Districts Fund	337,223.18	-	337,223.18
Storm Drain Fund	-	59,474.59	59,474.59
Regional Park Special Capital Fund	-	57,728.45	57,728.45
Measure A Fund	-	2,477,759.58	2,477,759.58
Redevelopment Successor Agency 2007 Bonds	573,593.23	-	573,593.23
Electric Fund	-	8,398,263.01	8,398,263.01
Electric Public Benefits Programs Fund	-	5,519,982.99	5,519,982.99
Water Fund	-	501,492.92	501,492.92
Water Conservation Fund	-	1,199,742.34	1,199,742.34
Refuse Fund	-	1,222,789.51	1,222,789.51
Sewer Fund	-	825,722.19	825,722.19
Central Stores Fund	-	57,160.96	57,160.96
Central Garage Fund	-	580,802.00	580,802.00
CFD 90-1-Highlander Fund	191,816.00	-	191,816.00
Total Recommended Carryovers	\$ 7,552,686.80	\$ 38,135,368.07	\$ 45,688,054.87

101 - GENERAL FUND

Department	Description	Amount
Restricted		
Cmnty & Econ Dev	Donations for Hulen Pet Shelter	\$ 14.99
Cmnty & Econ Dev	Homeless Campus (Department of Public Social Services)	599,485.28
Cmnty & Econ Dev	SB-1186 Certified Access Specialist Training	273,014.47
Cmnty & Econ Dev	Seismic Education Training & Supplies	5,004.86
Fire	Paramedic Program Equipment	33,014.50
Museum	Endowment Fund for Botany Exhibit	67,401.49
Parks	ARPA Scholarship Program	179,664.00
Parks	Donation for Hunt Park Exercise Area	500.00
Parks	Maintenance Endowment Fund	14,537.75
Police	Donations for K-9s	4,340.77
Police	Evidence Trust Funds – Renovation of Police Facilities	76,510.16
Police	Vehicle Purchase for PACT	44,879.03
Total Restricted		\$ 1,298,367.30
Discretionary		
City Attorney	Common Area Maintenance Charge (FY 2022/23)	\$ 20,147.76
City Clerk	Destruction of Records/Archival Materials for City Archive	10,977.00
City Clerk	Passport Services Office Reconfiguration	5,000.00
City Clerk	Redistricting Costs	84,184.50
City Manager	On-Call Grant Writing Services	139,800.00
Cmnty & Econ Dev	As-Needed Consulting Services - Building & Safety	55,000.00
Cmnty & Econ Dev	Cannabis Commercial Use	100,000.00
Cmnty & Econ Dev	Downtown Summer Concert Series	32,180.00
Cmnty & Econ Dev	Festival of Lights	390,824.85
Cmnty & Econ Dev	Improvements to Computronix to Enhance Customer Service	97,400.43
Cmnty & Econ Dev	Magnolia Specific Plan	250,000.00
Cmnty & Econ Dev	Northside Heritage Meadows project	129,868.94
Cmnty & Econ Dev	Northside Specific Plan	74,484.00
Cmnty & Econ Dev	Riverside Alive	46,038.75
Finance	Outside Printing Services for Business Tax	7,057.33
Finance	Payment Card Industry (PCI) Compliance	116,572.00
Fire	Clothing/ Linen/Safety Supplies - Turnout Gear	50,545.22
Fire	Training & Exercise Assistance	34,254.07
General Services	Vehicle Access K-Rails	25,900.00
Human Resources	City-Wide Employee Training	91,969.73
Human Resources	Education Reimbursement	33,829.27
Human Resources	Labor Negotiations	50,000.00
Innovation & Tech	Citywide Security Cameras	152,657.00
Innovation & Tech	ERP Needs/Gap Analysis	205,723.07
Innovation & Tech	Infrastructure and Enterprise Applications 24/7 Health Monitoring	45,774.11
Mayor's Office	Computer Equipment Purchase	1,531.08
Mayor's Office	Human Relations Commission	3,000.00

101 - GENERAL FUND

Department	Description	Amount
Mayor's Office	Long Night of Arts/Innovation	7,500.00
Museum	Heritage House Projects	98,363.41
Museum	Museum's 100-Year Anniversary Exhibition	50,000.00
Museum	Tourism, Marketing and Promotion (Museum rebranding)	12,978.00
Parks	Security System Retrofitting at Community Centers	285,000.00
Public Works	Landscape Maintenance	1,653,404.17
Public Works	Streets Maintenance Construction Materials	66,247.00
Total Discretionary		\$ 4,428,211.69
Total Carryover Recommendations – General Fund		\$ 5,726,578.99

110 - MEASURE Z

Department	Spending Item & Description	Amount
Discretionary		
City Manager	#39 - Public Safety and Engagement Team (PSET) Urban	\$ 950,000.00
City Manager	#49 - Public Safety and Engagement Team (PSET) Wildlands	1,226,394.39
Cmnty & Econ Dev	#19 - General Plan Update	4,327,377.22
Cmnty & Econ Dev	#20 - Homeless Services	465,920.88
Fire	#14 - Fire Vehicle Replacement	496,959.62
Fire	#34 - Clothing/Linen/Safety Supplies - Turnout Gear	17,594.66
General Services	#28 - Annual Deferred Maintenance	20,832.61
Innovation & Tech	#33 - Technology Improvements	2,381,472.53
Police	#12 - Police Vehicle Replacement and Maintenance Plan	-23,127.65
Police	#46 - Park and Neighborhood Specialist (PANS) Program	118,660.45
Police	#47 - Police Helicopter Capital Lease Proceeds	2,411,992.37
Police	#54 - Police K9	140,000.00
Total Discretionary		\$ 12,534,077.08
Total Carryover Recommendations – Measure Z		\$ 12,534,077.08

215 - GRANTS AND RESTRICTED PROGRAMS

Department	Spending Item & Description	Amount
Restricted		
City Manager	PEG (Public, Educational, or Governmental Access)	\$ 163,198.20
Cmnty & Econ Dev	Computronix Tech Fee	58,589.00
Cmnty & Econ Dev	Downtown Safety Ambassador Program	65,490.34
Cmnty & Econ Dev	General Plan Surcharge	29,900.00
Cmnty & Econ Dev	Hulen Campus Rehab Sponsorship	16,225.00
Cmnty & Econ Dev	Hulen Rehabilitation	2,033,443.50
Fire	California Fire and Rescue Training Authority Task Force Mobilization Training	140,861.39
Fire	Certified Unified Program Agencies (CUPA)	891,670.00



Fire	CFFJAC Firefighter Joint Apprentice	102,009.98
Fire	Rancho Santiago/Riverside Community College Moreno Valley Inter-Agency Instructional Services Agreement	76,509.63
Human Resources	Donations for the Wellness Program	119,035.98
Library	Donations, Gifts, and Trust Funds	64,574.88
Library	Donations, Gifts, and Trust Funds	5,437.81
Museum	Donations from The Riverside Museum Associates for Museum Projects	13,107.00
Parks	Donation for Aquatics	7,500.00
Parks	Donation for Riverside Arts Academy	32,000.00
Parks	Donation for Senior Programming	840.00
Parks	Donation for Special Events	12,090.84
Parks	Donations from LA84 Foundation for Learn-to-Swim Lessons	2,100.39
Police	Asset Forfeiture	648,652.49
Police	Donation for Shop with a Cop	3,000.00
Total Restricted		\$ 4,486,236.43
Total Carryover Recommendations – Grants and Restricted Programs		\$ 4,486,236.43

230 – GAS TAX

Department	Spending Item & Description	Amount
Discretionary		
Public Works	Pavement Management Program	\$ 16,535.36
Public Works	Railroad Project Management	157,196.54
Public Works	Surplus Property Disposal	98,428.86
Total Discretionary		\$ 272,160.76
Total Carryover Recommendations – Gas Tax		\$ 272,160.76

280 – HOUSING AUTHORITY

Department	Spending Item & Description	Amount
Restricted		
Cmnty & Econ Dev	Housing Authority Projects (Multiple)	\$ 665,450.66
Total Restricted		\$ 665,450.66
Total Carryover Recommendations – Housing Authority		\$ 665,450.66

291 – SPECIAL DISTRICTS

Department	Spending Item & Description	Amount
Restricted		
Parks	Loving Homes Landscape Maintenance District	\$ 45,031.97
Parks	Village at Canyon Crest Landscape Maintenance District	292,191.21
Total Restricted		\$ 337,223.18
Total Carryover Recommendations – Special Districts		\$ 337,223.18

410 – STORM DRAIN

Department	Spending Item & Description	Amount
Discretionary		
Public Works	Sycamore Canyon Business Park Habitat Restoration	\$ 5,497.82
Public Works	Miscellaneous Drainage Studies	53,976.77
Total Discretionary		\$ 59,474.59
Total Carryover Recommendations – Storm Drain		\$ 59,474.59

413 – REGIONAL PARK SPECIAL CAPITAL FUND

Department	Spending Item & Description	Amount
Discretionary		
Parks	Sycamore Canyon Trail Development	\$ 57,728.45
Total Discretionary		\$ 57,728.45
Total Carryover Recommendations – Regional Park Special Capital Fund		\$ 57,728.45

432 – MEASURE A

Department	Spending Item & Description	Amount
Discretionary		
Public Works	Railroad Project Management	\$ 2,523,853.40
Public Works	Railroad Quiet Zone Maintenance	47,331.64
Public Works	Transportation Planning	-93,425.46
Total Discretionary		\$ 2,477,759.58
Total Carryover Recommendations – Measure A		\$ 2,477,759.58

480 - REDEVELOPMENT SUCCESSOR AGENCY 2007 BONDS

Department	Spending Item & Description	Amount
Restricted		
Cmnty & Econ Dev	Unprogrammed 2007 Taxable Bonds	\$ 466,611.41
Cmnty & Econ Dev	Villegas Park Brown Room Renovation	51,996.86
Cmnty & Econ Dev	Villegas Park Construction	54,034.39
Cmnty & Econ Dev	Ward 3 Street Improvements	950.57
Total Restricted		\$ 573,593.23
Total Carryover Recommendations – Redevelopment Successor Agency 2007 Bonds		\$ 573,593.23

510 - ELECTRIC

Department	Spending Item & Description	Amount
Discretionary		
RPU - Administration	311 Upgrade Project	\$ 365,578.59
RPU - Administration	Customer Information System (CIS) Disaster Recovery Project	500,000.00
RPU - Administration	Customer Web Portal	600,000.00
RPU - Administration	Department of Homeland Security Recommended Security Projects	150,000.00
RPU - Administration	Electric Fund Cost of Service Analysis (COSA)	300,000.00
RPU – Administration	Mission Square ADA Accommodations (Floors 3-5)	150,651.00
RPU - Administration	Mission Square Heating and Air Conditioning (HVAC) Improvements	1,500,000.00
RPU - Administration	Mission Square Outdoor Concourse Improvements	324,951.00
RPU - Administration	Mission Square Roof Replacement	500,000.00
RPU - Administration	Orange Square Generator	100,000.00
RPU - Administration	Proportional Share of Measure Z Technology Projects	1,001,487.20
RPU - Administration	Software Purchase and Licensing	186,342.22
RPU - Administration	Upgrade Itron Meter Reading Software Solution (MVRS) to Itron Field Collection System (FCS)	100,000.00
RPU - Administration	Workforce Development (WFD) Internal Training	100,000.00
RPU - Electric	Integrated Resource Plan	270,582.70
RPU - Electric	National Joint Apprenticeship and Training Committee (NJATC) Training for Linework Power Line Technicians (PLT)	200,498.83
RPU - Electric	New Trucks Purchased	300,000.00
RPU - Electric	Publicly Accessible Electric Vehicles Charging Stations	500,000.00
RPU - Electric	Stationary Battery Project for RERC	213,068.00
RPU - Electric	Stationary Battery Project for Springs	30,000.00
RPU - Electric	Vehicle Capital Lease Proceeds	632,407.31
RPU - Electric	Vehicles Delayed from Terex due to COVID-19	372,696.16
Total Discretionary		\$ 8,398,263.01
Total Carryover Recommendations – Electric		\$ 8,398,263.01

511 – ELECTRIC PUBLIC BENEFITS PROGRAM

Department	Spending Item & Description	Amount
Discretionary		
RPU - Administration	Emergency Recovery Assistance Program (ERAP) in Response to COVID-19	\$ 1,000.00
RPU - Administration	Implement Energy Efficient Measures at Medium and Small Sized Businesses	251,974.99
RPU - Administration	Replacement of Inefficient Lighting at Commercial Sites	50,000.00
RPU - Administration	Unprogrammed Funds	5,217,008.00
Total Discretionary		\$ 5,519,982.99
Total Carryover Recommendations – Electric Public Benefits Program		\$ 5,519,982.99

520 - WATER

Department	Spending Item & Description	Amount
Discretionary		
RPU - Water	Seven Oaks Dam Operations and Maintenance	\$ 130,000.00
RPU - Water	Water Fund's Portion of Measure Z Technology Projects	371,492.92
Total Discretionary		\$ 501,492.92
Total Carryover Recommendations – Water		\$ 501,492.92

521 – WATER CONSERVATION

Department	Spending Item & Description	Amount
Discretionary		
RPU - Water	Water Energy Community Action Network's Turf Removal Program	\$ 555,293.34
RPU - Water	Water Conservation Surcharge Programs Enhancements	644,449.00
Total Discretionary		\$ 1,199,742.34
Total Carryover Recommendations – Water Conservation		\$ 1,199,742.34

540- REFUSE

Department	Spending Item & Description	Amount
Discretionary		
Public Works	Private Hauler Solid Waste Collection Services	\$ 200,000.00
Public Works	Refuse Sideloaders (1) and Rearloaders (1) Trucks	887,483.63
Public Works	Tequesquite Blower Project for Gas Collection	135,305.88
Total Discretionary		\$ 1,222,789.51
Total Carryover Recommendations – Refuse		\$ 1,222,789.51

550 – SEWER

Department	Spending Item & Description	Amount
Discretionary		
Public Works	Agricultural Park Clean-Up	\$ 6,722.19
Public Works	Compressed Natural Gas Vactor Truck	530,000.00
Public Works	Outside Legal Services for Community Service District	150,000.00
Public Works	Portable Engine Driven Diesel Pump and Trailer	85,000.00
Public Works	Replacement Ford F-150 Truck	54,000.00
Total Discretionary		\$ 825,722.19
Total Carryover Recommendations – Sewer		\$ 825,722.19

640 - CENTRAL STORES

Department	Spending Item & Description	Amount
Discretionary		
Finance	Central Stores Inventory Vending Machine and Barcode Scanning System	\$ 57,160.96
Total Discretionary		\$ 57,160.96
Total Carryover Recommendations – Central Stores		\$ 57,160.96

650 - CENTRAL GARAGE

Department	Spending Item & Description	Amount
Discretionary		
General Services	Fleet Vehicles	\$ 455,002.00
General Services	Payment Card Industry (PCI) Compliance	125,800.00
Total Discretionary		\$ 580,802.00
Total Carryover Recommendations – Central Garage		\$ 580,802.00

753 – CFD 90-1-HIGHLANDER

Department	Spending Item & Description	Amount
Restricted		
Finance	Community Facilities District 90-1 Irrigation Maintenance	\$ 191,816.00
Total Restricted		\$ 191,816.00
Total Carryover Recommendations – CFD 90-1 – Highlander		\$ 191,816.00

APPENDIX B – MEASURE Z SPENDING PLAN

The Measure Z Spending plan includes only those expenditures and carryovers that utilize current revenues. Expenditures and carryovers related to the use of debt proceeds are not included in the Spending Plan. Refer to the description of the Measure Z Spending Plan on page 17.

Spending Items	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19	Actual FY 2019/20	Actual FY 2020/21	Actual FY 2021/22	Actual FY 2022/23	Carryover FY 2022/23
REVENUE								
Transaction & Use Tax	\$ 12,605,474	\$ 56,201,937	\$ 62,283,444	\$ 62,380,085	\$ 71,999,092	\$ 83,156,696	\$ 84,015,703	\$ -
Interest Earnings	954	35,265	532,684	755,392	654,898	752,491	1,825,380	-
Total Revenues	\$ 12,606,428	\$ 56,237,202	\$ 62,816,128	\$ 63,135,477	\$ 72,653,990	\$ 83,909,187	\$ 85,841,083	\$ -
EXPENDITURES								
1 20% General Fund Reserve	\$ 5,549,224	\$ 15,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 Payoff of the Balloon \$32 million Pension Obligation Bond	-	1,706,290	1,673,554	1,674,490	1,674,500	1,679,490	1,673,080	-
3 Funding for Workers' Compensation and General Liability	-	2,500,000	2,500,000	-	-	-	-	-
4 Measure Z Spending Contingency - General Fund Balancing Measure	-	-	-	-	-	-	-	-
5 Additional Sworn Police Positions	-	2,671,321	5,588,853	7,639,210	10,163,726	10,745,658	13,751,855	30,937
6 Public Safety Non-Sworn Positions and Recruitment Costs	-	450,833	795,676	877,104	913,458	897,576	952,016	-
7 Police Officer Lateral Hire Incentives and Recruitment Costs	-	-	30,049	9,994	300	46,856	73,986	-
8 Additional Public Safety Dispatchers	-	254,112	477,694	566,809	656,263	857,136	1,407,570	-
9 Maintain Firefighter Staffing Level	448,496	838,478	992,571	1,291,460	1,406,709	4,137,516	2,178,353	-
10 Reinstatement of Fire Captains (Training and Arson)	1,504	522,192	559,538	556,919	469,733	507,235	657,475	-
11 Reinstatement of Fire Battalion Chief	-	355,402	368,948	390,025	611,747	396,056	416,987	-
12 Revised Police Vehicle Replacement and Maintenance Plan	-	2,434,081	1,738,555	1,199,786	627,585	3,735,056	2,143,480	1,333,037
13 Refurbish Police Vehicle (Pilot Program)	-	50,000	-	-	-	-	-	-

Spending Items	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19	Actual FY 2019/20	Actual FY 2020/21	Actual FY 2021/22	Actual FY 2022/23	Carryover FY 2022/23
14 Fire Vehicle Replacement and Maintenance Plan	-	823,208	1,607,452	3,143,742	2,521,600	1,572,275	1,706,747	4,006,689
15 Fleet Facility Capital Repairs	-	100,000	-	-	-	-	-	-
16 Additional Fleet Mechanics for Police Department	-	176,329	173,230	202,610	219,713	225,454	149,860	-
17 Additional Fleet Mechanics for Fire Department	-	184,275	221,068	231,352	237,262	244,309	297,025	-
18 General Fund Support - Maintain Existing Services	3,939,526	5,482,007	13,238,623	18,266,026	18,266,026	18,266,026	18,266,026	-
19 General Plan Update (Includes Zoning Changes)	-	-	33,419	9,525	300,069	37,534	279,886	4,339,567
20 Homeless Services	-	8,775	184,619	528,954	4,197	693,012	503,743	796,669
21 Principal Management Analyst - City Manager's Office	-	108,724	148,684	161,803	175,948	180,941	170,144	-
22 Budget Engagement Commission Support	4,311	10,280	27,000	8,365	23,364	15,648	10,868	310
23 New Downtown Main Library & Archives	8,479	1,541,139	3,386,205	5,119,500	(434,155)	2,751,200	2,738,151	-
24 Eastside Library Site Selection	-	-	-	-	18,900	75,600	-	5,500
25 New Police Headquarters	-	-	-	26,394	43,556	-	-	-
26 Museum Expansion and Rehabilitation	-	-	-	89,053	175	-	1,474	-
27 New Downtown Parking Garage	-	-	-	-	-	-	-	-
28 Annual Deferred Maintenance (Existing Facilities)	-	458,210	1,111,923	1,025,461	838,450	959,363	1,859,493	247,100
29 Maximize Roads/Streets (Pavement Condition Index)	-	58,482	2,276,844	460,494	4,825,070	12,974,269	7,219,089	18,935,753
30 Tree Trimming	-	114,807	890,259	2,018,472	994,585	983,450	1,842,682	1,673,868
31 Ward Action Team - City Attorney's Office	21,907	173,578	263,704	295,205	303,967	326,426	388,006	-
32 Ward Action Team - City Manager's Office	-	-	-	-	-	-	-	-
33 Technology Improvements	-	112,288	433,629	679,248	2,792,116	1,686,690	1,470,850	3,176,936
34 4-Person Staffing on Fire Trucks	-	-	202,119	1,284,098	1,244,499	1,006,903	979,106	17,595
35 Fire Equipment and One-Time Operating Needs	-	-	60,473	64,019	52,466	89,769	-	-
36 Fire Radios	-	-	1,931,769	45,920	-	-	-	-

Spending Items	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19	Actual FY 2019/20	Actual FY 2020/21	Actual FY 2021/22	Actual FY 2022/23	Carryover FY 2022/23
37 Recreation – Summer Pools	-	-	50,000	50,000	-	3,006	-	-
38 Bourns Family Youth Innovation Center – Furnishing & Operating Costs	-	-	-	183,961	49,536	342,145	(2,808)	-
39 Public Safety & Engagement Team Program (PSET) – Urban	-	-	21,691	1,226,821	1,518,578	1,126,665	2,657,537	1,190,167
40 Library Security Guards	-	-	-	121,809	339,822	380,393	-	-
41 Homeless Temporary Housing	-	-	-	112,204	(112,204)	-	-	-
42 Orangecrest Fire Station Dormitory Improvements	-	-	-	427	108,384	-	-	-
43 Public Works Streets Vehicle & Equipment Needs	-	-	-	-	-	-	490,337	2,509,628
44 Parks, Recreation & Community Services Infrastructure, Vehicles, and Equipment	-	-	-	-	-	11,735	189,894	1,523,575
45 Motorhome Removal & Disposal	-	-	-	-	-	5,000	9,000	1,500
46 Park and Neighborhood Safety Specialist (PANSS) Program	-	-	-	-	-	493,808	1,296,852	118,660
47 Police Helicopter Capital Lease	-	-	-	-	-	-	1,238,158	-
48 Office of Homeless Solutions Expansion	-	-	-	-	-	-	47,454	-
49 Public Safety & Engagement Team Program (PSET) - Wildlands	-	-	-	-	-	-	613,870	1,296,840
50 Public Safety Enterprise Communication System (PSEC) Radios	-	-	-	-	-	-	343,438	-
51 Office of Sustainability	-	-	-	-	-	-	13,402	-
52 Sidewalk Repair	-	-	-	-	-	-	371,776	228,224
53 Mt Rubidoux Trail Resurfacing	-	-	-	-	-	-	1,198,947	581,053
54 Police K9	-	-	-	-	-	-	-	140,000
55 PRCS Capital	-	-	-	-	-	-	-	6,492,000
56 Fire - Analog Simulcast Communication System	-	-	-	-	-	-	-	-
Total Expenditures	\$ 9,973,447	\$ 36,134,811	\$ 40,988,149	\$ 49,561,260	\$ 50,855,945	\$ 67,454,200	\$ 69,605,809	\$ 48,645,608

Spending Items	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19	Actual FY 2019/20	Actual FY 2020/21	Actual FY 2021/22	Actual FY 2022/23	Carryover FY 2022/23
Five-Year Financial Plan Surplus/(Deficit)	\$ 2,632,981	\$ 20,102,391	\$ 21,827,979	\$ 13,574,217	\$ 21,798,045	\$ 16,454,987	\$ 16,235,274	\$ (48,645,608)

FUND RESERVES								
Beginning Measure Z Unallocated Fund Reserves	\$ -	\$ 2,632,981	\$ 22,735,372	\$ 39,563,351	\$ 53,137,568	\$ 74,935,613	\$ 91,390,600	\$ 107,625,874
Five-Year Financial Plan Surplus/(Deficit)	2,632,981	20,102,391	21,827,979	13,574,217	21,798,045	16,454,987	16,235,274	(48,645,608)
Permanent Policy Reserve Set-Aside			(5,000,000)					
Ending Measure Z Unallocated Fund Reserves	\$ 2,632,981	\$ 22,735,372	\$ 39,563,351	\$ 53,137,568	\$ 74,935,613	\$ 91,390,600	\$ 107,625,874	\$ 58,980,266

The Measure Z Reserve Policy adopted by City Council on April 2, 2019, requires a minimum \$5M contingency reserve level. This amount was removed from unallocated fund reserves in 2019 and is held intact, separately of unallocated reserves reported in the Spending Plan.