City of Arts & Innovation

Budget Engagement Commission

TO: **HONORABLE COMMISSIONERS** **DATE: MAY 14, 2026**

FROM: **FINANCE DEPARTMENT** **WARDS: ALL**

SUBJECT: **PROPOSED FISCAL YEAR 2026-2028 BIENNIAL BUDGET**

ISSUES:

Receive and provide input on the proposed Fiscal Year 2026-2028 Biennial Budget.

RECOMMENDATIONS:

That the Budget Engagement Commission receive and provide input on the proposed Fiscal Year 2026-2028 Biennial Budget.

BACKGROUND:

The City adopts a two-year budget and prepares five-year plans to promote financial stability, long-term planning, and effective resource allocation. Under a two-year budget cycle, the City can enhance predictability and continuity in financial planning, providing departments with a clear framework for budgeting and operational decision-making. This approach allows for a more comprehensive evaluation of revenue and expenditure trends over an extended period, enabling the City to identify potential financial challenges and opportunities proactively. Additionally, the five-year planning horizon offers a strategic perspective, facilitating the alignment of budget priorities with long-term goals and objectives. This forward-looking approach not only enhances fiscal responsibility but also fosters transparency and accountability in the City's financial management practices. While the budget cycle occurs every two years, budget development can be considered an evolutionary process as changes are made throughout the two-year cycle after adoption as economic conditions become clearer and new priorities arise.

Baseline Budget and Departmental Budget Proposals

The development of the Fiscal Year (FY) 2026-2028 Biennial Budget began in the Fall of 2025 with the creation of the baseline budget for all city funds, inclusive of updated personnel projections and retirement costs, self-insurance rates, debt obligations, and other known costs. While the baseline budget sets the stage for budgetary planning across all funds, the City prioritizes its focus on the General Fund and Measure Z due to their significance in funding essential services and community programs. Consequently, after creating baseline expenditure budgets for all city funds, additional effort is directed towards these funds, incorporating updated revenue projections and identifying strategic initiatives to enhance revenues and manage costs.

The baseline budget helps to inform the City Manager's budget direction to city departments and becomes the starting point for the development of departmental budget proposals.

In November of 2025, departments embarked on the critical task of developing their budget proposals in alignment with the City's strategic objectives. Beginning with comprehensive budget instructions, departments constructed their baseline budgets, focusing on sustaining current service levels utilizing existing full-time equivalent (FTE) positions. These baseline budgets formed the cornerstone of each department's financial plan, providing a solid foundation from which to address operational needs and foster innovation. Further, due to projected deficits in the General Fund and Measure Z, Departments worked collaboratively with the Finance Department and City Manager's Office to develop cost reduction proposals that are included in the proposed budget.

Community Engagement

While the City budget is developed in alignment with the City's strategic priorities, community outreach and engagement with the City's various Boards and Commissions also plays a crucial and complementary role in the development of the City's budget. This engagement both gathers valuable input from Riverside residents and business owners and fosters transparency and inclusivity in the budgetary process. The primary purpose of external engagement in the budget process is to engage with stakeholders, understand their needs, preferences, and priorities, and incorporate these perspectives into the budgetary decision-making process.

Between October 2025 and November 2025, the staff held 6 community budget forums throughout the City titled "Your Money, Your Voice". The City took a theme-based approach with the goal of providing more focused discussions, giving residents the option to attend sessions on topics that matter most to them, and gather more actionable input to guide the budget. Staff selected three meeting themes (1-Public Safety/Housing & Human Services, 2-Public Works/Community and Economic Development, and 3-Parks/Library/Museum) based on areas where staff historically receive the most community feedback and where resident input can best inform funding priorities. The City posted notices on social media platforms and distributed emails through various list servers, inviting community members to the community budget forums. In-person translation services were made available for individuals who speak Spanish and those who are deaf or hard of hearing.

A budget survey was subsequently released in January and was available for one month. The survey was designed to measure level of satisfaction with City services and to gain an understanding of what current services and programs the Riverside residents deem least and most important. Approximately 50 residents attended the community budget forums. An additional 227 respondents completed the online survey between January 21, 2026 – February 23, 2026. A summary of the community budget forum feedback and budget survey outcome is attached to this report.

On October 9, 2025, the Budget Engagement Commission (BEC) received a report on the Fiscal Year 2026-2028 Biennial Budget Development and Community Engagement. The report was received and filed without formal motion.

On April 9, 2026, the BEC received a budget workshop report outlining the proposed General Fund and Measure Z budgets and were given an initial opportunity to provide input on the upcoming budget. The committee received the report and would provide follow up during the May 14, 2026 BEC Proposed Budget meeting.

Ongoing Engagement

Community engagement continues at various city boards and commissions, culminating in the presentation of the proposed budget to the City Council in May, followed by adoption in June.

Date	Time	Meeting Body	Subject
April 8, 2026	5:00 P.M.	Board of Library Trustees *(CANCELED)*	Library Preliminary Budget
April 13, 2026	6:30 P.M.	Board of Public Utilities	Public Utilities Preliminary Budget
April 20, 2026	1:00 P.M.	Finance Committee	Budget Workshop
April 22, 2026	3:00 P.M.	Museum of Riverside Board	Museum Preliminary Budget
May 7, 2026	9:00 A.M.	Planning Commission	Proposed CIP Conformance to General Plan
May 11, 2026	5:00 P.M.	Board of Library Trustees	Library Preliminary Budget
May 14, 2026	5:00 P.M.	Budget Engagement Commission	Proposed Budget
May 18, 2026	6:30 P.M.	Park & Recreation Commission	Parks, Recreation, & Community Services Department Preliminary Budget
May 19, 2026	Afternoon	City Council	Proposed Budget
June 23, 2026	Evening	City Council	Final Budget Adoption

General Fund and Measure Z Deficits

Why Deficits Have Emerged

On June 25, 2024, City Council adopted the FY 2024-2026 Biennial Budget, which balanced General Fund revenues and expenditures across five years. The adopted budget also approved a Measure Z spending plan that strategically spent down the available balance by increasing expenditures for several programs over the first three years of the plan.

The City experienced several years of high revenue growth from both one-time and ongoing revenue sources. Revenue continues to grow, but now at moderate levels. At the same time, expenditures and critical needs have continued to escalate. Slowing revenue growth, rising personnel and pension costs, inflationary pressures, and the pace of local economic development all challenge the City's ability to keep recurring costs in line with ongoing revenues.

When compared to the balanced multiyear forecast in the last adopted biennial budget, revenues are projected to decrease by $8.1 million in FY 2026/27 and $9.1 million in FY 2027/28. At the same time, expenditures are projected to increase by $19.0 million in FY 2026/27 and $25.0 million in FY 2027/28. This upward cost pressure and slower revenue growth is producing General Fund deficits of $27.1 million in FY 2026/27 and $34.0 million in FY 2027/28.

Why the City Is Facing a Budget Deficit (Significant Changes from Previous Adopted Biennial Budget) (in thousands)		
General Fund		
Issue	**FY 2026/27**	**FY 2027/28**
Revenues		
Property Tax	$ (297)	$ (2,186)
Sales Tax	(1,334)	(1,213)
Utility Users Tax	(1,680)	(1,765)
Franchise Fees	(1,101)	(1,217)
Licenses and Non-Dev Permits	(2,778)	(3,043)
Other Financing Sources	(1,650)	(1,650)
Various Other Adjustments	739	2,021
Total Revenues	**(8,102)**	**(9,052)**
Expenditures		
Payroll, Health, Benefits	4,124	9,385
CalPERS UAL	6,025	6,072
Workers Comp/General Liability Trust	3,247	2,872
Charges to/From & CAP	4,748	3,728
Special Fund Subsidies	(1,908)	(1,627)
Critical Needs	4,586	6,465
Other Baseline Adjustments	(1,809)	(1,938)
Total Expenditures	**19,033**	**24,979**
Total	**$ (27,135)**	**$ (34,031)**

Although Measure Z is facing similar issues as the General Fund, the deficits compared to the prior adopted biennial budget appear to primarily be impacted by revenue decreases compounded by expenditure growth. Measure Z revenue experienced two consecutive years of declines, which started in FY 2024 and was the first revenue decrease since the inception of Measure Z. Additionally, personnel expenditures, primarily in public safety, continue to increase and outpace growth in revenue. This upward cost pressure and revenue decline is producing a net decrease of $9.9 million in FY 2026/27 and $12.4 million in FY 2027/28 compared to the prior adopted budget.

Why the City Is Facing a Budget Deficit (Significant Changes from Previous Adopted Biennial Budget) (in Thousands)		
Measure Z		
Issue	**FY 2026/27**	**FY 2027/28**
Revenues		
Transaction and Use Tax	$ (5,450)	$ (5,865)
Interest	200	200
Total Revenues	**(5,250)**	**(5,665)**
Expenditures		
Payroll, Health, Benefits	2,709	3,944
CalPERS UAL	780	804
New Programs/Critical Needs	1,115	1,983
Total Expenditures	**4,604**	**6,731**
Total	**$ 9,854**	**$ 12,396**

Balancing the Budget

Although the City continues to maintain strong reserve levels, staff recommend taking a conservative approach to balance the budget that generally limits the use of reserves and instead provides cost reduction measures and other one-time solutions to address the projected deficits. These proactive measures advance a balanced multi-year budget that address ongoing fiscal uncertainty, preserves core services, and provides flexibility to increase spending in future years if revenue growth exceeds the revised projections.

Staff propose a multi-pronged approach to address the projected deficit with a mix of one-time and ongoing solutions developed under the following framework:

1) Protects core City services
2) Strategically phases in reductions
3) Maximizes one-time solutions
4) Minimizes use of reserves
5) Maintains long-term fiscal sustainability.

In summary, the City closes the gap through:

Deficit Reduction Measures (in Thousands)		
General Fund		
Issue	**FY 2026/27**	**FY 2027/28**
Cost Reductions	$ 8,016	$ 10,739
Use of Unassigned Fund Balance	5,599	3,963
General Liability Trust Fund True Up	2,356	-
Fees and Charges CPI Increase	862	1,191
Section 115 Trust/Set Aside	10,303	18,138
Total	**$ 27,135**	**$ 34,031**
Measure Z		
Issue	**FY 2026/27**	**FY 2027/28**
Cost Reductions	$ 9,935	$ 11,533
Total	**$ 9,935**	**$ 11,533**

Cost Reductions—The City has experienced between 5% and 10% expenditure growth over the past three years, primarily in personnel related costs. This has significantly contributed to the projected deficits in General Fund and Measure Z. Finance staff collaborated with City departments to identify cost reduction areas through two steps: 1) by reviewing expenditures that historically generate savings, and 2) evaluating areas where reductions could be implemented without significantly impacting core City services, including strategically holding positions vacant. Staff recommend total cost reductions of $17.95 million in FY 2026/27 and $22.27 million in FY 2027/28 across General Fund and Measure Z to address the projected deficit. Some of these reductions are phased in and result in higher reduction levels starting in FY 2027/28. This approach strategically provides flexibility to potentially pull back any proposed reductions in the second year if the revenue growth improves beyond projected levels. Even with these reductions, most programs still receive budgets above historical levels. A detailed list of all proposed cost reductions is attached to this report.

Use of Unassigned Fund Balance—The 2024/25 fiscal year ended with a net $9.56 million unassigned surplus after required transfers to reserves, including an additional $4.19 million transfer to the policy reserves. Although the City ended the fiscal year with a surplus, it is not anticipated to be an ongoing structural surplus as it was mostly driven by one-time revenue increases. Staff are proposing to use this one-time surplus to partially offset the projected deficit in FY 2026/27 and FY 2027/28. Specifically, the unassigned balance would be shifted to the General Liability Trust Fund and offset the need for the required General Fund allocation to the Trust Fund across two years.

General Liability Trust Fund True up—Adopted City Council policy requires the City to reserve 50% of estimated workers compensation and general liability claims and liabilities, as estimated by the City's actuary, in separate trust funds. The City's methodology requires all funds to contribute to the trust fund based on a combination of staff assigned to each fund and claim trends associated with each fund. Between 2017 and 2022, the General Fund and Measure Z contributed $7.5 million in supplemental payments to the General Liability Trust Fund given that the balance in the fund was below City Council adopted policy level. However, based on the City's methodology, the other City funds should have also contributed their fair share. This one-time true up requires the other funds to pay their share of the $7.5 million supplemental payment and reduces the amount of General Fund contributions needed to be allocated to the trust in FY 2026/27.

Fees and Charges CPI Increase—In June 2024, the City Council adopted a revised Master Fees and Charges Schedule based on a comprehensive consultant study using FY 2023/24 cost data. Development-related fees and charges were subsequently adopted in June 2025. The study relied on City cost data from FY 2023/24. To ensure fees remain aligned with the City's cost of providing services and to avoid delays in periodic updates, staff recommend amending the Municipal Code to include annual Consumer Price Index (CPI) adjustments for most fees and charges while continuing comprehensive fee studies every three to five years. This amendment will be brought forward to City Council for consideration as part of the FY 2026/27 Master Fees and Charges Schedule update. Applying this methodology results in a 5.7% increase to most fees and charges in FY 2026/27, reflecting CPI growth since 2024, with future annual increases estimated at approximately 2%.

Section 115 Trust/Set Aside—In 2019, the City established a Section 115 Trust to set aside funding needed to smooth out pension unfunded accrued liability costs in future years with significant anticipated growth. The City's goal was to reach $100 million in the trust before beginning to draw on the funds. The City also set aside an additional $35 million in a General Fund reserve to offset General Fund contributions to the trust. The Trust is anticipated to reach the $100 million goal in FY 2026/27. As such, staff are proposing to draw $7.9 million from the set aside funds in FY 2026/27 and a total of $14.4 million from the set aside funds and the Section 115 trust in FY 2027/28 (Please note that this amount differs from the table above given that the amounts in the table reflect the net change from the planned use/contribution of Section 115 funds as projected in the 2024-2026 Biennial Budget five year forecast to recommended amounts in the FY 2026-2028 budget). This approach helps offset increasing UAL costs, which are contributing towards the deficit. Although this proposal draws on the funds earlier than anticipated, it reflects significant growth in the trust due to contributions and interest growth and is still projected to smooth out payments in future years, as originally intended.

As a result of these budget balancing measures, staff proposes a budget that is balanced across all five years of the General Fund forecast with projected annual revenue and expenditure growth

between 3% and 5%. For Measure Z, staff recommend continuing a strategic fund balance drawdown until projected revenue begins to exceed expenditures in FY 2030/31.

DISCUSSION:

The operating and capital budget are two distinct components of the City's financial planning and management. The operating budget outlines the day-to-day expenses and revenues necessary to sustain ongoing services and programs, covering costs such as employee salaries, maintenance, and utilities. It serves as a blueprint for managing regular operations over a one-year period, funded primarily by taxes, fees, and other sources of income generated by the city's routine activities. In contrast, the capital budget focuses on financing large-scale infrastructure projects and investments with long-term benefits, such as building or upgrading roads, parks, public facilities, and infrastructure. These projects often require significant upfront costs and are funded through bonds, grants, dedicated revenue streams, and working capital, addressing the city's future growth and development needs. Together, the operating and capital budgets play crucial roles in ensuring the fiscal health and sustainability of a municipality.

Citywide Budget Overview

The proposed FY 2026-2028 Biennial Budget totals approximately $1.57 billion in FY 2026/27 and $1.59 billion in FY 2027/28, including both the City's operating budget and planned capital projects.

Operating Budget

The operating budget alone, encompassing all city funds, totals approximately $1.41 billion in FY 2026/27 and $1.43 billion in FY 2027/28. Accounting for 55% of total city revenues, Charges for Services is the city's largest revenue source, and includes fees collected for utility services; parking and transportation; parks and recreational services; and cost recovery fees. Taxes account for 25% of total city revenues, with over 90% originating in the General Fund, inclusive of Measure Z. Non-Personnel costs account for 33% of the citywide operating budget; however, approximately 46% of this category pertains to power and energy supply purchases in the Electric Fund. Personnel costs total 32% of the citywide operating budget.

CITYWIDE BUDGET SUMMARY – OPERATING FY 2026-2028 Proposed Biennial Budget		
	FY 2026/27	**FY 2027/28**
Incoming Resources		
Taxes	$ 354,948,193	$ 363,924,525
Licenses & Permits	21,035,051	21,455,147
Intergovernmental	47,468,582	48,841,760
Charges for Services	791,252,765	810,057,819
Fines & Forfeitures	6,844,368	6,844,368
Special Assessments	12,998,279	12,339,812
Miscellaneous	51,164,320	47,013,887
Rents	3,146,200	3,317,700
Other Financing Sources	746,000	746,000
Operating/Debt Transfer In	88,997,468	96,292,117
General Fund Transfer - Electric	50,551,600	54,077,500
General Fund Transfer - Water	9,825,900	10,623,900
Use of Infrastructure Reserves	133,750	-
Use of Section 115 Set-Aside	7,918,995	2,000,000
Total Incoming Resources	**$ 1,447,031,471**	**$ 1,477,534,535**
Outgoing Resources		
Personnel	$ 501,193,582	$ 534,585,527
Non-Personnel	515,333,532	495,926,761
Special Projects	67,695,628	69,621,367
Equipment Outlay	12,424,698	6,647,511
Debt Service/Debt Transfers Out	231,198,549	233,482,880
Minor Capital	2,038,808	2,316,156
Operating Transfers Out	106,398,069	119,708,564
Charges from Others	103,401,898	108,364,406
Charges to Others	(139,132,878)	(143,446,562)
Managed Savings	(3,694,626)	(8,078,234)
Escrow of Water GFT	9,825,900	10,623,900
Total Outgoing Resources	**$ 1,406,683,160**	**$ 1,429,752,276**
Net Operating Surplus/(Deficit) Across all Funds	**$ 40,348,311**	**$ 47,782,259**

Capital Budget

The City of Riverside prepares a Capital Improvement Plan (CIP), which is a strategic tool for aligning capital project needs with available financial resources. Capital projects are funded through available operating revenues, bond proceeds, grants, fund reserves, and other funding sources. Bond and grant revenues are not typically included in the proposed budget but are budgeted when the bond is issued or when a grant is awarded and approved by the City Council for use on a capital project. The initial phase of the CIP, referred to as the capital budget, outlines planned expenditures for the first two fiscal years.

The proposed FY 2026-2028 Capital Improvement Plan totals approximately $167.1 million in FY 2026/27 and $161.2 million in FY 2027/28. Approximately 75% of the CIP budget resides with Riverside Public Utilities and focuses on maintaining the City's electric and water infrastructure. Another 20% of the CIP is dedicated to Transportation projects, encompassing activities such as extending and widening streets, street resurfacing, constructing curbs, gutters, center medians, bikeways, and pedestrian facilities, as well as right-of-way acquisition and traffic signal improvements.

Refer to the Capital Improvement Plan (Attachment 1-Capital Improvement Plan) for a detailed listing of capital projects and project descriptions.

CITYWIDE BUDGET SUMMARY - CAPITAL
FY 2026-2028 Proposed Capital Budget

	FY 2026/27	FY 2027/28
Funding Sources		
Special Gas Tax	$ 14,781,232	$ 13,812,623
Storm Drain	100,000	100,000
Measure Z	12,300,000	11,300,000
Measure A	13,562,300	10,572,800
Electric	79,656,035	75,594,192
Water	45,265,585	37,504,135
Sewer	200,000	10,000,000
Public Parking	1,193,381	2,300,000
Total Funding Sources	**$ 167,058,533**	**$ 161,183,750**
Funding Uses		
Electric	$ 79,656,035	$ 75,594,192
Municipal Buildings and Facilities	1,500,000	1,500,000
Parks, Recreation, & Comm Svc	2,000,000	1,500,000
Public Parking	1,183,334	2,300,000
Railroad	827,300	847,800
Sewer	200,000	10,000,000
Storm Drain	2,004,210	565,000
Transportation	34,422,069	31,372,623
Water	45,265,585	37,504,135
Total Funding Uses	**$ 167,058,533**	**$ 161,183,750**

General Fund and Measure Z

The proposed FY 2026-2028 General Fund budget presented totals approximately $383.19 million in FY 2026/27 and $403.76 million in FY 2027/28, and is balanced. Measure Z Fund budget totals approximately $95.2 million in FY 2026/27 and $93.0 million in FY 2027/28. The deficit spending in the overall Measure Z budget is a mix of the Council directive to spend down the Measure Z Fund balance, and carryovers and other unspent funding from previous years that are shown and appropriated in the upcoming 2-year budget cycle. To ensure transparency and accuracy in financial reporting, it's essential to recognize that Measure Z, despite its designation as a separate sales tax, is fundamentally intertwined with the General Fund. While the Measure Z tax revenue is earmarked for specific programs and initiatives through the Measure Z Spending Plan, it ultimately functions as an extension of the General

Fund, providing vital support for essential city services and operations, specifically Public Safety. The General Fund Long-Term Plan and Measure Z Spending plan (Attachment 1 - Five Year Plans) provides a transparent view of the multi-year forecast for each respective fund.

GENERAL FUND BUDGET SUMMARY Proposed FY 2026-2028 Biennial Budget		
	FY 2026/27	**FY 2027/28**
Incoming Resources		
Property Tax	$ 101,783,783	$ 104,999,689
Sales Tax - General	98,410,670	101,721,466
Cannabis Tax	1,000,000	1,000,000
Utility Users Tax	37,344,606	38,646,558
Transient Occupancy Tax	9,270,900	9,463,500
Franchise Fees	6,449,780	6,697,030
Licenses & Non-Developer Permits	11,174,500	11,382,600
Intergovernmental Revenues	3,185,051	3,256,458
Non-Developer Charges for Services	12,620,896	12,964,864
Developer Fees & Charges for Services	8,490,036	8,733,824
Fines & Forfeits	1,582,400	1,582,400
Special Assessments	652,300	663,100
Miscellaneous Revenues	4,531,624	5,291,694
General Fund Transfer - Electric	50,551,600	54,077,500
General Fund Transfer - Water	9,825,900	10,623,900
Measure Z Transfer In	18,266,026	18,266,026
Use of 115 Trust Set-Aside Fund	7,918,995	2,000,000
Use of Section 115 Trust	-	12,392,540
Use of Infrastructure Reserves	133,750	-
Total Incoming Resources	**$ 383,192,817**	**$ 403,763,149**
Outgoing Resources		
Personnel	$ 286,224,898	$ 303,137,301
Vacancy Factor	(15,286,597)	(16,055,331)
CalPERS UAL	25,503,955	28,473,462
Section 115 Trust Contributions	2,852,750	-
Non-Personnel (Non-Discretionary)	23,553,638	29,396,662
Non-Personnel (Discretionary)	43,821,918	42,102,318
Special Projects	11,131,863	11,585,159
Minor Capital	517,280	521,207
Debt Service	28,649,852	29,219,965
Charges to/from Others	(20,460,880)	(21,575,532)
Cost Allocation Plan	(19,589,597)	(20,563,738)
Contribution to Special Districts Fund	1,843,963	1,948,361
Contribution to Convention Center Fund	2,283,211	2,574,987
Contribution to Entertainment Fund	287,250	302,697
Contribution to Cheech Marin Fund	1,352,783	1,386,589
Contribution to Parks Capital Fund	680,630	685,142
Escrow Water GFT	9,825,900	10,623,900
Total Outgoing Resources	**$ 383,192,817**	**$ 403,763,149**
Balanced Budget	**$ -**	**$ -**

MEASURE Z FUND BUDGET SUMMARY Proposed FY 2026-2028 Biennial Budget				
		FY 2026/27		**FY 2027/28**
Incoming Resources				
Sales Tax	$	83,551,000	$	85,983,000
Interest		1,000,000		1,000,000
Total Incoming Resources	**$**	**84,551,000**	**$**	**86,983,000**
Outgoing Resources				
Personnel	$	30,736,439	$	32,412,096
CalPERS UAL		3,322,468		3,668,518
Non-Personnel		7,275,691		6,855,010
Special Projects		6,943,300		6,860,275
Minor Capital		1,653,787		1,210,585
Capital Projects		12,300,000		11,300,000
Debt Service		14,702,031		12,436,301
Transfer to General Fund		18,266,026		18,266,026
Total Outgoing Resources	**$**	**95,199,742**	**$**	**93,008,811**
Strategic Fund Balance Drawdown	**$**	**(10,648,742)**	**$**	**(6,025,811)**

Revenue Projections

Revenue projections are based on a variety of factors, including historical and recent revenue trends, economic conditions and forecasts, advice from sales and property tax consultants, and other relevant factors. Some projections are contingent upon future Council actions, such as including a CPI for most fees and charges for services currently subsidized by general purpose revenues. Recommendations for fees and charges will be presented to the Council annually and will be inclusive of the CPI in order to keep up with inflation and incremental increase fees and charges, so as to not create major year-over-year increases.

Major revenue assumptions are as follows:

- **Property Tax:** Over the past decade, the City has experienced substantial growth in assessed property values. In FY 2024/25, total property tax revenues increased 6.4% over the prior year, driven largely by a 5.3% increase in assessed property values per the 2024-25 assessment roll. Additionally, property tax revenue from the successor agency (previously tied to redevelopment) grew by 11.2% as compared to the prior year.

  Although property tax growth has continued to increase over the past two years, it is anticipated to moderate and grow at a more normalized rate. Looking ahead, the budget anticipates annual property tax revenue growth of 5.5% in FY 2026/27 followed by a moderated 3.2% increase in FY 2027/28. However, over the past two years the City has been engaging in various efforts to bolster economic development in the City with additional housing, commercial, and entertainment developments currently in progress. The forecast assumes property tax increases between 4.5% and 5% in FY 2028/29 through FY 2030/31 to account for additional anticipated revenue associated with increased economic activity in future years.

- **Sales Tax (General Fund and Measure Z):** Over the past 15 months, economic uncertainty and rapidly evolving federal policies has made revenue forecasting more

challenging, particularly for sales tax. Actual General Fund sales tax revenues in FY 2024/25 finished 2.7% above the prior year and 3.3% above the revised FY 2024/25 projections, driven largely by strong vehicle sales. However, early indicators suggest some softening in consumer and business spending, reflected in slower growth in General Fund sales tax revenues. Looking ahead, the budget assumes 4.6% growth in FY 2026/27, followed by a more moderate 3.4% increase in FY 2027/28. Over the past two years, the City has also advanced several economic development initiatives, including new housing, commercial, and entertainment projects. Similar to the property tax forecast, the budget assumes General Fund sales tax growth between 4.1% and 5.6% annually from FY 2028/29 through FY 2030/31, reflecting the anticipated revenue impacts of expanded economic activity.

Measure Z revenues have recently lagged behind the growth experienced in the General Fund. Since voter approval in 2017, Measure Z revenues grew steadily, reaching a peak of $84.02 million in FY 2022/23. In FY 2023/24, revenues declined 2.5% to $81.90 million, marking the first decrease since the measure's adoption. Revenues declined again in FY 2024/25, falling 0.7% to $81.33 million. Looking ahead, the budget projects modest growth of 0.5% in FY 2026/27, followed by a 2.9% increase in FY 2027/28. Similar to the General Fund Sales Tax forecast, the long-term outlook assumes annual growth between 4.0% and 4.9% from FY 2028/29 through FY 2030/31, reflecting anticipated increases in economic activity in future years

- **Cannabis Tax:** The City Council adopted an 8% Cannabis Business Tax rate and recent changes that authorizes a maximum of seven cannabis retailers to operate in the City. Although there are ongoing uncertainties for when all businesses will be operational, the budget continues conservative projections of $1 million for Cannabis Business Tax revenue in FY 2026/27 and FY 2027/28. However, the later years of the forecast assumes Cannabis Business Tax revenue will grow to $3 million by FY 2029/30.
- **Franchise Fees:** Although most franchise fees have experienced annual growth, there have been significant annual declines in cable tv associated franchise fees. The budget assumes a continued decline in cable tv fees, which results in a 9.9% decrease in FY 2026/27 compared to the FY 2025/26 budget. The budget assumes moderate growth in other franchise fees of approximately 4% in future years.
- **Licenses & Non-Developer Permits:** Business license tax revenue projections were increased as part of the FY 2024-2026 Biennial Budget due to anticipated revenues from a newly implemented business discovery program; however, the higher level of revenue did not materialize. As a result, FY 2024/25 actual revenue came in 14.7% less than projected and the FY 2025/26 budget was adjusted downward to reflect the lower than anticipated revenue. The proposed budget assumes moderate growth levels of 0.6% and 1.9% in FY 2026/27 and FY 2027/28, which is $2.1 million lower than projections under the prior biennial forecast.
- **Fees and Charges for Services:**
    - *Development Fees and Charges*—In FY 2024/25, revenues came in significantly under projections by 22.9% due to anticipated developer fees and charges increases that were incorporated into revenue projections but did not come into effect until June 2025, compounded by a decreased volume of building permits compared to the prior year. Decreased revenue in this category has continued into the first two quarters of FY 2025/26 despite adoption of recent fee increases, most likely due to inflationary costs, a higher interest rate environment, and related financing costs for development.

The proposed budget assumes a 12.8% decrease in FY 2026/27 compared to FY 2025/26 budgeted amounts and moderate growth of 2.9% in FY 2027/28. The later years forecast assumes revenue growth between 2.8% and 3.0% in FY 2028/29 through FY 2030/31.

- *Non-Development Fees and Charges*—The proposed budget assumes a 3.3% increase in FY 2026/27 compared to FY 2025/26 budgeted amounts and moderate growth of 2.7% in FY 2027/28. The later years forecast assumes revenue growth between 2.8% and 3.0% in FY 2028/29 through FY 2030/31.

  The proposed budget also assumes Council adoption of municipal code changes to apply inflation increases to most City fees and charges to recover increasing City costs of providing services. This results in a 5.7% increase to most fees and charges in FY 2026/27 to catch up with two years of inflation increases and estimated annual increases of approximately 2% thereafter.

- **General Fund Transfer:** GFT revenue is projected to increase by 7.4% in FY 2026/27 and 7.2% in FY 2027/28. This revised estimate incorporates relevant drivers like weather assumptions, customer growth, and accounting-related considerations. The budget continues to assume the Water GFT revenue will be escrowed until pending litigation is resolved.

Expenditure Projections

The Budget Office updates the budget for routine adjustments resulting from personnel changes, labor agreement impacts, pension liabilities, updates in debt service obligations; and updated charges to/from departments (often related to shared personnel). Finance staff also work with City departments to identify critical unfunded needs and opportunities for cost reductions when facing potential deficits. Although the budget proposes reductions to address the projected budget deficit, total proposed expenditures in FY 2026/27 and FY 2027/28 are still higher than prior years.

- **Personnel:** The proposed budget includes projected personnel expenditure growth of $9.1 million (3.3%) in FY 2026/27 and $16.9 million (5.9%) in FY 2027/28. This includes a $1.5 million increase in police overtime costs and increased salaries associated with recently adopted labor agreements. The City will also be negotiating new agreements with different labor groups during this time, which may further increase budgeted costs.

  Personnel expenditures account for approximately 71% of General Fund expenditures. As such, growth in this category has significant impacts on the budget. At the current growth rate, personnel expenditures are outpacing revenue growth. If this trend continues, the City will likely face additional deficits in future years.

- **Vacancy Savings:** The proposed expenditure budget includes a 6% vacancy savings factor (equivalent to approximately $15.3 million in FY 2026/27 and $16.1 million in FY 2027/28) within a non-departmental account, freeing funds for other City priorities. However, all positions are fully budgeted within their respective departments. As of March 2026, the General Fund reflected a vacancy rate of 9.2%. However, it is important to note that vacancy rates, in terms of full-time equivalents (FTEs), do not directly equate to dollar savings. Actual savings will depend on the salary and benefit costs of vacant positions.

- **CalPERS Unfunded Accrued Liability:** The proposed budget reflects UAL payments based on the July 2025 CalPERS actuarial report. Although CalPERS exceeded the investment earning target, UAL costs are expected to continue to rise due to increased

payroll and CalPERS' methodology of smoothing investment gains over several years to minimize significant year-to-year fluctuations. Consequently, the CalPERS UAL budget includes $25.5 million for FY 2026/27 and $28.5 million in FY 2027/28, which represent 30.2% and 11.6% increases.

- **Non-Personnel:** The proposed budget includes a net 15.2% decrease in non-personnel budget in FY 2026/27 and a 6.1% increase in FY 2027/28**.** The net decrease is primarily associated with proposed deficit reduction measures including cost reductions and one-time savings in General Liability Trust Fund costs due to a prepayment that reduces costs in FY 2026/27.
- **Special Projects:** The proposed budget includes a net 6.1% and 4.1% increase in FY 2026/27 and 2027/28 from various special project category expenditures. This increase is primarily due to costs related to a new Animal Service County Contract and City programming of $1.7 million in FY 2026/27 and $2.3 million in FY 2027/28, and increased costs associated with a new agreement with the Riverside Arts Council for the administration and management of the Festival of Lights of $400,000 annually. These increases are partially offset by several cost reductions in this category.
- **Charges To/From & Cost Allocation Plan:** The proposed budget includes a net 8.9% reduction in FY 2026/27 and increase of 5.2% in FY 2027/28 from charges and cost allocations that offset General Fund costs. The reduction in FY 2026/27 is driven by various factors including a shift of General Fund positions to the General Liability fund, which removes the costs from this allocation, lower than anticipated actuals for various expenditures, and a higher usage of various cost allocated services by General Fund departments.
- **Other Fund Subsidy:** The proposed budget includes a net 11.0% reduction in FY 2026/27 and increase of 3.5% in FY 2027/28 associated with General Fund subsidies to other funds. This is primarily driven by a $1.4 million subsidy reduction to the Convention Center Fund, due to higher than anticipated revenues in the fund, which are partially offset by a $258,000 increase in subsidy to the Cheech Marin Center Fund, due to decreased revenues in that fund.

Potential Risks to the General Fund

WATER GENERAL FUND TRANSFER

The Water General Fund Transfer (GFT) accounts for approximately 2.6% of ongoing General Fund revenues. On September 19, 2023, the City Council directed that all future Water GFT collections be placed in a reserve account pending the outcome of litigation. The General Fund Long-Term Plan reflects this potential revenue loss at an estimated $9.8 million to $11.5 million over the five-year plan, or $54.8 million over the next five years.

RISING RETIREMENT COSTS

Rising retirement costs continue to have a significant impact on the City's long-term financial stability. The CalPERS UAL changes annually in response to CalPERS' updated actuarial assumptions and actual interest earnings. CalPERS investment returns have fluctuated significantly over the last ten years, leading to swings in funding levels reported in CalPERS actuarial reports and projected payments toward the UAL.

The CalPERS retirement fund yielded a 11.6% return for the fiscal year ended June 30, 2025, exceeding the 6.8% forecasted rate. While this marks continued improvement, pension costs are expected to continue to rise due to increased City payroll and CalPERS' methodology of

smoothing investment gains over several years to minimize significant year-to-year fluctuations. Additionally, future returns below expectations could further increase unfunded liabilities and required annual payments.

A funded ratio of 100% implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% implies that in addition to normal costs, payments toward the UAL will be required. The City's funded status has fluctuated over time, reflecting changing market conditions, updates to actuarial estimates, and other factors disclosed in CalPERS' valuation reports. Following CalPERS' 21.3% return on investments in 2021, the Miscellaneous plan was fully funded, and the Safety plan was 99.6% funded. As of the most recent actuarial reports dated July 2025, the City's Miscellaneous plan is now 87% funded and the Safety plan is 86% funded. The City's funded status and UAL balances, based on the market value of assets and actuarial assumptions, are listed in the following table.

Group	Funded Ratio	UAL Balance 6/30/2024	General Fund Share
Safety	86.2%	$207,102,677	100%
Miscellaneous	86.9%	$240,203,970	48%
Total		**$447,306,647**	**$322,400,583**

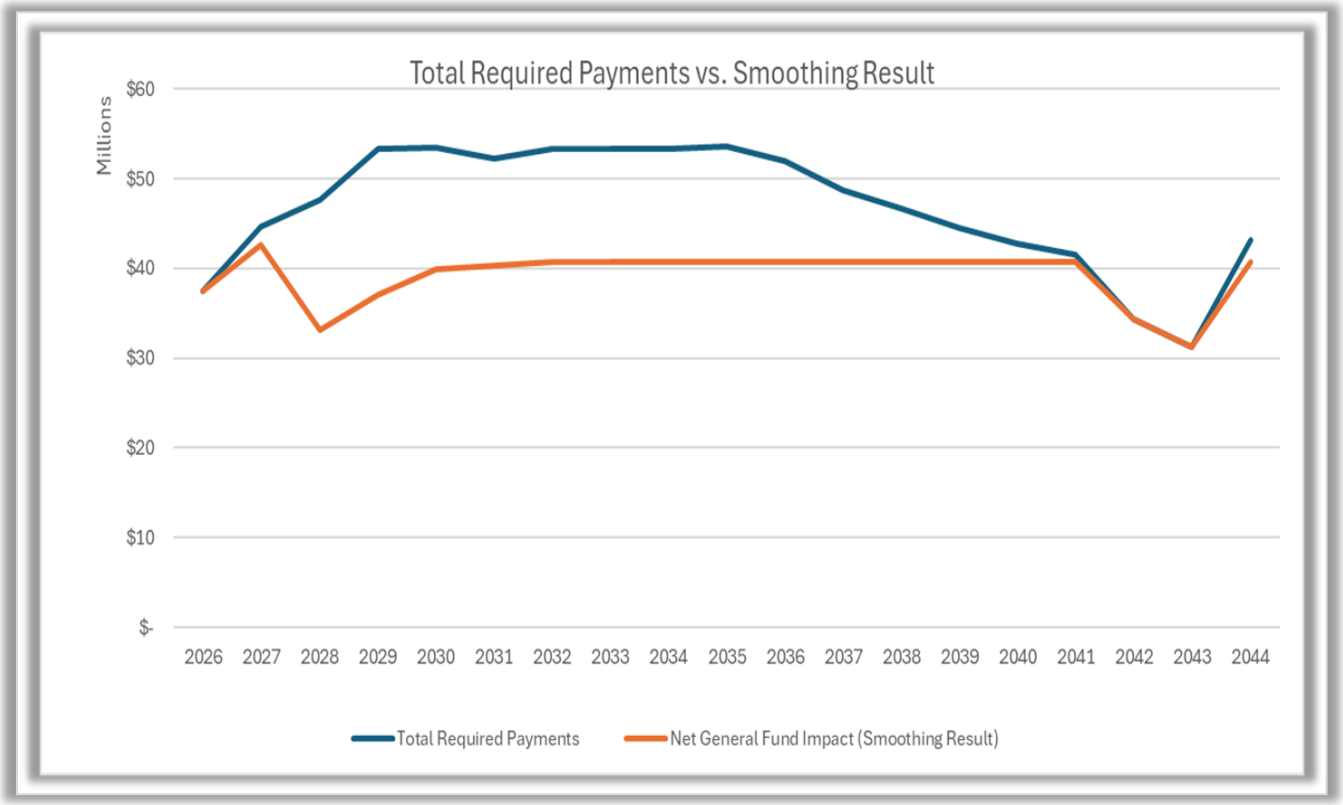
The City has employed several strategies over the fiscal years to address rising CalPERS costs, including issuing a Pension Obligation Bond and establishing a Section 115 Trust. Both strategies are intended to smooth fluctuations in the required annual CalPERS UAL payments and minimize the fiscal impact of significant increases that could disrupt the City's ability to maintain service levels and fund ongoing operations.

The UAL payments are projected to reach a maximum level in four years, increasing from the FY 2026/27 required payment of $27.5 million to $32.6 million in FY 2029/30. Budgeted amounts are slightly lower due to assumed prepayment that partially reduce the annual payment. By FY 2031/32, the combined POB and UAL payments will reach nearly $53.4 million, compared to the FY 2026/27 combined payment of $45.7 million.

($ in millions) Fiscal Year	Required UAL Payment	Required POB Payment	Total Required Payment	% Increase over Baseline
FY 2026/27	$27.5	$18.2	$45.7	Baseline
FY 2027/28	$29.8	$19.0	$48.8	7%
FY 2028/29	$33.3	$19.7	$53.0	16%
FY 2029/30	$32.6	$20.4	$53.0	16%
FY 2030/31	$32.3	$20.0	$52.3	14%
FY 2031/32	$30.8	$22.6	$53.4	17%
FY 2032/33	$29.8	$23.5	$53.3	17%
FY 2033/34	$26.4	$24.5	$50.9	11%

The proposed FY 2026-2028 Biennial Budget assumes an additional $2.9 million transfer to the Section 115 trust, bringing the balance of the trust over $100 million. The budget also assumes a combined use of the Section 115 trust set aside and Section 115 Trust to smooth out required

combined UAL and POB payment, offsetting a projected fiscal impact of more than $11 million annually. This strategic allocation ensures that the funds required for these purposes are secured through separate channels, thereby alleviating the need to search for additional resources within the operating budget.



INFRASTRUCTURE INVESTMENTS

Following several years of structural deficits in the General Fund, the City has struggled to allocate funding toward capital needs. Historically, capital investments have largely been funded through debt financing, such as the issuance of 2008 Certificates of Participation for street improvements, and Riverside Renaissance Tax Allocation Bonds for new facilities and capital improvements. However, debt financing does not provide a sustainable method to fund annual and ongoing needs for infrastructure repairs and maintenance.

In recent years, the establishment of an Infrastructure Reserve and a Technology Reserve has been made possible by allocating General Fund surpluses resulting from unexpected revenue growth and personnel savings. Since its establishment, the Infrastructure Reserve has provided more than $30.4 million for one-time critical infrastructure needs. However, a more sustainable and strategic financial plan for ongoing infrastructure requirements is required. Although the City has made additional deferred maintenance and infrastructure investments through Measure Z and one-time American Rescue Plan Act funds, significant ongoing needs remain to support these activities in the future.

LABOR COSTS

Labor contracts are generally updated every three years and have continued to result in increased salary and benefits costs. Balancing the competing needs of providing competitive salary increases to recruit and retain highly qualified employees and maintaining long-term financial sustainability will remain an ongoing challenge for the City. To the extent the growth in

labor costs exceed annual revenue growth, additional deficits are likely to materialize in the later years of the forecast.

Reserve Balances

The City is in a strong financial position with record level policy and discretionary reserves. While significant reserve balances are available to help offset an economic downturn, reserve balances should generally be used when experiencing a more severe economic downturn, in order to protect core City services. However, the proposed 2026-2028 Biennial Budget does include use of pension related reserves to support increased pension costs and continues a strategic drawdown on the Measure Z balance. Below is a recap of the City's General Fund and Measure Z Reserve Balances as of April 2026, proposed uses in the two years of the biennial budget, and projected remaining balances:

PROJECTED RESERVE BALANCES			
	Beginning Balance	**Proposed Adds/Uses**	**Projected Ending**
General Fund			
Emergency Reserve (15%)	$ 57.32	$ -	$ 57.32
Contingency Reserve (5%)	19.11	-	19.11
Section 115 Trust Set-Aside (Projected)	18.23	(9.92)	8.31
Infrastructure Reserve (Projected)	5.32	(0.13)	5.45
Technology Reserve	5.00	-	5.00
Water GFT Escrow	25.82	20.45	46.27
Section 115 Trust (Projected)*	97.25	(9.54)	87.71
Undesignated	9.56	(9.56)	-
Total General Fund	**$ 237.61**	**$ (8.44)**	**$ 229.17**
*Projected ending balance does not include assumed interest growth			
Measure Z			
Available Fund Reserves	$ 24.34	$ (16.67)	$ 7.67
Measure Z Policy Reserve	5.00	-	5.00
Total Measure Z	**$ 29.34**	**$ (16.67)**	**$ 12.67**

- General Fund Policy Reserves: The General Fund Reserve Policy adopted by the City Council in September 2016 requires a 20% reserve balance, calculated as a percentage of budgeted General Fund expenditures. Per policy guidance, the 20% reserve is allocated between the Emergency Reserve and Contingency Reserve.
- Infrastructure Reserve: The balance as of April 2026 is $5.3 million. Proposed uses of $133,750 have been included in the proposed FY 2026-2028 Biennial Budget.
- Technology Reserve: The balance as of April 2026 is $5 million. There are no proposed uses for the Technology Reserve at this time. This reserve is anticipated to be primarily used to upgrade outdated systems and software.
- Water GFT Escrow: The balance as of April 2026 is $25.82 million. Assuming continued escrowing of the Water GFT pending litigation, the balance would grow to $46.27 million.
- Section 115 Trust Set-Aside: In 2023, $35 million was set aside per Council action to be used to offset Section 115 Trust contributions and alleviate pressure on the General Fund

budget. The balance as of April 2026 is $18.23 million. Proposed uses of $9.92 million are factored into the proposed FY 2026-2028 Biennial Budget.

- Section 115 Trust Fund: The balance as of April 2026 is $97.25 million. The outsized investment returns within the trust itself have helped to push the balance to almost $100 million. The proposed budget assumes a $2.8 million transfer to the trust in FY 2026/27 and draw on the trust of $12.4 million in FY 2027/28. With a 5% assumed investment return, the trust would grow to approximately $102 million by the end of FY 2027/28.

Conclusion

Through prudent financial planning and innovative strategies, the General Fund budget is balanced and the Measure Z fund is continuing a strategic drawdown on its balance. The proposed budget also demonstrates staff's commitment to enhancing revenues through proactive measures, including:

- Reducing the taxpayer subsidy of fee-based services that benefit individual parties by proposing fee adjustments to keep in line with CPI increases.
- Cultivating new revenue streams through strategic investments in Riverside's vibrant economy and new tax receipts through additional development within the City.

The City has successfully navigated years of structural deficits, during which revenue growth trailed behind expenditure increases. Leveraging the combined resources of the General Fund and Measure Z, this budget addresses the current projected deficit while addressing critical operational needs. Further details are outlined in the following section of this report.

Major Changes to Departmental Budgets – General Fund and Measure Z

The departmental budgets represent the culmination of rigorous planning, collaborative discussions, and strategic foresight aimed at aligning departmental priorities with the overarching goals of the City. From staffing adjustments to major initiatives, each department's budget reflects a commitment to delivering essential services, fostering innovation, and advancing the well-being of the Riverside community.

The following departmental budget summaries outline staffing changes resulting in the net increase/decrease of personnel within a department and highlights non-personnel items within the departmental budgets. Refer to Attachment 1 - Citywide Personnel Detail for a summary of position changes by fund and department.

Public Safety Departments

POLICE DEPARTMENT

Proposed General Fund and Measure Z Budget

FY 2026/27: $167.48M—$134.82M General Fund/$32.67M Measure Z (6.6% Increase)
FY 2027/28: $173.48M—$138.39M General Fund/$35.09M Measure Z (3.6% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Police Department.

Cost Reductions

The proposed budget includes cost reductions of $2.29 million in FY 2026/27 and $4.32 million in FY 2027/28. This includes, but is not limited to, the following:

- Unallocated Reduction (General Fund): $2 million in FY 2027/28 for items to be identified

as part of the FY 2027/28 amended budget.
- Non-Sworn Personnel Savings (General Fund): $900,000 in FY 2026/27 and $903,000 in FY 2027/28 associated with maintaining approximately 10 non-sworn positions vacant.
- Booking Fees (General Fund): $100,000 ongoing savings associated with the elimination of booking fees that were previously charged by the Riverside County Sheriff's Office.
- Vehicle Replacement (Measure Z): $1.11 million in FY 2026/27 and $1.13 million in FY 2027/28 associated with delaying vehicle replacements.

The five-year plan also assumes between $3.6 million and $4.3 million in General Fund Police personnel costs will be reallocated to MZ from FY 2028/29 to FY 2030/31 to offset continued rising General Fund public safety costs.

Critical Needs
The proposed budget includes critical need augmentations of $2.03 million in FY 2026/27 and $2.88 million in FY 2027/28. This includes the following:
- Public Safety Overtime (General Fund): $1.5 million ongoing to align with recent increased overtime trends and account for higher overtime costs due to salary increases.
- Public Safety Enterprise Communication System (Measure Z): $528,000 in FY 2026/27 and $1.39 million ongoing to support a new agreement and increased fees for the Riverside County Public Safety Enterprise Communication System.

FIRE DEPARTMENT

Proposed General Fund and Measure Z Budget
FY 2026/27: $91.59M—$79.39M General Fund/$12.20M Measure Z (9.2% Increase)
FY 2027/28: $92.45M—$80.78M General Fund/$11.67M Measure Z (0.9% Increase)

Personnel (No Change):
- There are no recommended changes to the staffing levels for the Fire Department.

Cost Reductions
The proposed budget includes cost reductions of $1.41 million in FY 2026/27 and $1.95 million in FY 2027/28. This includes, but is not limited to, the following:
- Unallocated Reduction (General Fund): $500,000 in FY 2027/28 for items to be identified as part of the FY 2027/28 amended budget.
- Personnel Savings (General Fund): $284,000 in FY 2026/27 and $292,000 in FY 2027/28 associated with maintaining approximately two non-firefighter positions vacant.
- Fire Apparatus Replacement (Measure Z): $1.13 million in FY 2026/27 and $1.16 million in FY 2027/28 associated with delaying fire apparatus replacements.

The five-year plan also assumes between $1.8 million and $2.2 million in General Fund Fire personnel costs will be reallocated to MZ from FY 2028/29 to FY 2030/31 to offset continued rising General Fund public safety costs.

Critical Needs
The proposed budget includes critical need augmentations of $1.09 million in FY 2026/27 and $1.10 million in FY 2027/28. This includes, but is not limited to, the following:
- Firefighting Personal Protective Equipment (General Fund): $451,000 ongoing to support enhancement to the current turnout gear replacement schedule, which is currently insufficient and should be revised from a four-year to a three-year rotation.
- Cardiac Monitors (General Fund): $313,000 ongoing to lease 29 cardiac monitors and

defibrillators used by the Riverside Fire Department to treat cardiac emergencies, monitor vital signs, analyze cardiac rhythms, and deliver electrical shocks.

- Firefighter Physicals (General Fund):$185,000 in FY 2026/27 and $190,000 in FY 2027/28 with increased ongoing amounts to provide firefighter physicals as required by Cal OSHA.

Community Service Departments

COMMUNITY AND ECONOMIC DEVELOPMENT (CEDD)

Proposed General Fund Budget

FY 2026/27: $18.56M General Fund (1.9% Decrease)
FY 2027/28: $19.92M General Fund (7.3% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Community & Economic Development Department.

Cost Reductions

The proposed budget includes cost reductions of $740,000 in FY 2026/27 and $864,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $221,000 in FY 2026/27 and $231,000 in FY 2027/28 associated with maintaining a Business Systems Manager position vacant.
- Various Professional Services (General Fund): $345,000 in FY 2026/27 and $471,000 in FY 2027/28 associated with a reduction to various professional services that support economic analysis forecasts, retail attraction efforts, special studies, specific plan updates.
- Software/Licensing (General Fund): $90,000 in FY 2026/27 and $78,000 in FY 2027/28 associated with a reduction in various software and licensing services.

Critical Needs

The proposed budget includes critical need augmentation of $125,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:

- Economic Development Marketing & Implementation (General Fund): $125,000 ongoing to extend previously allocated one-time funding to support additional economic development implementation efforts and increased participation in conferences and promotional material to continue to attract businesses and economic development in the City.

LIBRARY

Proposed General Fund and Measure Z Budget

FY 2026/27: $14.44M—$11.70M General Fund/$2.74M Measure Z (0.3% Decrease)
FY 2027/28: $15.16M—$12.42M General Fund/$2.73M Measure Z (5.0% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Library Department.

Cost Reductions

The proposed budget includes cost reductions of $362,000 in FY 2026/27 and $392,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $293,000 in FY 2026/27 and $321,000 in FY 2027/28 associated with maintaining various positions vacant including part time and full time

Library Assistant and a Library Associate to support a strategic closure of several underutilized libraries on Sundays.
- Security and Janitorial Services (General Fund): $69,000 in FY 2026/27 and $71,000 in FY 2027/28 associated with a reduction in security and janitorial service contracts to support the strategic closure of several underutilized libraries on Sundays.

Critical Needs
The proposed budget includes critical need augmentation of $500,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:
- Library Materials (General Fund): $500,000 ongoing to extend previously allocated one-time funding to support the ongoing purchase of books and materials to ensure there is a diverse collection of materials that meet the needs of the community.

MUSEUM

Proposed General Fund and Measure Z Budget
FY 2026/27: $5.66M—$2.78M General Fund/$2.89M Measure Z (14.8% Increase)
FY 2027/28: $7.29M—$4.40M General Fund/$2.89M Measure Z (28.7% Increase)

Personnel (2.00 FTE increase in FY 2026/27 & 4.00 FTE increase in FY 2027/28):
- FY 2026/27 (2.00 FTE): Add 2.00 FTEs for the Museum of Riverside reopening preparation, one of which will remain unfunded.
- FY 2027/28 (4.00 FTE): Add 4.00 FTEs for the Museum of Riverside's grand opening and operations.

Cost Reductions
The proposed budget includes cost reductions of $163,000 in FY 2026/27 and FY 2027/28. This includes, but is not limited to, the following:
- Personnel Savings (General Fund): $158,000 in FY 2026/27 and FY 2027/28 associated with maintaining a Museum Assistant, Collections Assistant, and Exhibition Designer position vacant.

Critical Needs
The proposed budget includes critical need augmentation of $50,000 in FY 2026/27 and $1.43 million General Fund in FY 2027/28. This includes the following:
- Main Museum Reopening (General Fund): $1.39 million in FY 2027/28, with increasing annual amounts to support ongoing costs associated with the reopening of the main museum, which is currently going through renovations and is anticipated to reopen in FY 2027/28. This includes 4.5 FTE, various professional services, and operational costs. These costs are anticipated to be partially offset by admission, program, rental, and retail revenue.
- Museum Education Overtime (General Fund): $50,000 ongoing to extend previously allocated one-time funding to support overtime costs for museum programs that are often on weekends and evening, when audiences and visitors are available.

PARKS, RECREATION, AND COMMUNITY SERVICES DEPARTMENT (PRCSD)

Proposed General Fund and Measure Z Budget

FY 2026/27: $38.10M—$35.41M General Fund/$2.70M Measure Z (1.5% Decrease)
FY 2027/28: $38.43M—$36.26M General Fund/$2.17M Measure Z (0.8% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Parks, Recreation and Community Service Department.

Cost Reductions

The proposed budget includes cost reductions of $2.67 million in FY 2026/27 and $3.86 million in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $471,000 in FY 2026/27 and $665,000 in FY 2027/28 associated with maintaining vacant a Parks Supervisor, Sr. Project Manager position, and part-time personnel vacant that supports various recreation programming activities.
- Citywide and Ward Events (General Fund): $325,000 in FY 2026/27 and $683,000 in FY 2027/28 associated with a reduction in funding for Citywide and ward specific community events.
- Art Organizational Special Support (General Fund): $100,000 in FY 2026/27 and $105,000 in FY 2027/28 associated with a reduction in funding that is used to support local arts organizations.
- Security Patrol at Parks (General Fund): $74,000 in FY 2026/27 and FY 2027/28 associated with a reduction in professional security services at various parks and community centers including Bryant, Bonds, Bordwell, La Sierra, and Goeske.
- Parks Capital Improvements (Measure Z): $1.5 million in FY 2026/27 and $2.0 million in FY 2027/28 associated with a reduction in funding that support deferred maintenance and other capital improvements at City Parks.
- Senior and Disabled Program Capital Funds (Measure Z): $83,000 in FY 2026/27 and $118,000 in FY 2027/28 associated with a reduction in funding that supports capital outlay for seniors and adaptive recreation programming.

Critical Needs

The proposed budget includes critical need augmentation of $400,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:

- Festival of Lights Agreement (General Fund): $400,000 ongoing to support costs associated with a new Memorandum of Understanding with Riverside Arts Council for the administration and management of Festival of Lights.
-

PUBLIC WORKS

Proposed General Fund and Measure Z Budget

FY 2026/27: $35.99M—$24.64M General Fund/$11.35M Measure Z (13.4% Decrease)
FY 2027/28: $36.26M—$25.41M General Fund/$10.85M Measure Z (0.7% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Public Works Department.

Cost Reductions
The proposed budget includes cost reductions of $3.45 million in FY 2026/27 and $4.48 million in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $500,000 in FY 2026/27 and $945,000 in FY 2027/28 associated with maintaining a General Service Worker, Graffiti Education Coordinator, Maintenance Worker, and Senior Engineering Technician position vacant in FY 2026/27 with additional positions to be identified by FY 2027/28.
- Construction Materials (General Fund): $115,000 in FY 2026/27 and $132,000 in FY 2027/28 associated with a reduction in funding for construction materials in street and storm drain maintenance.
- Crossing Guards (General Fund): $84,000 in FY 2026/27 and $90,000 in FY 2027/28 associated with a reduction in funding to align with crossing guard contract costs.
- Pavement Rehabilitation (Measure Z): $2.68 million in FY 2026/27 and $3.18 million in FY 2027/28 associated with a reduction in funding for pavement projects. This reduction is anticipated to be offset by increased spending of Measure A funds.

The budget also assumes a reduction of $850,000 of FY 2025/26 funding associated with a planned irrigation replacement project that is being put on hold. These savings are being used to offset the budget deficit.

Critical Needs
The proposed budget includes critical need augmentation of $1.99 million General Fund in FY 2026/27 and $2.63 million in FY 2027/28. This includes, but is not limited to, the following:

- Animal Services County Contract and City Programming (General Fund): $1.68 million in FY 2026/27 and $2.33 million in FY 2027/28, with increasing annual amounts to support obligations associated with new agreement with the County of Riverside for animal field and shelter services.
- Irrigation Supplies, Repair, and Replacement (General Fund): $500,000 ongoing to extend previously allocated one-time funding to support ongoing efforts to repair and replace landscape irrigation.

HOUSING AND HUMAN SERVICES

Proposed General Fund and Measure Z Budget
FY 2026/27: $8.92M—$2.93M General Fund/$6.00M Measure Z (1.8% Decrease)
FY 2027/28: $7.87M—$3.14M General Fund/$4.73M Measure Z (11.8% Decrease)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Housing and Human Services Department.

Cost Reductions
The proposed budget includes cost reductions of $1.02 million in FY 2026/27 and $1.33 million in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $150,000 in FY 2026/27 and FY 2027/28 associated with savings from charging a portion of the Director's salary to various state and federal grants.
- PSET Encampment Clean-Up (Measure Z): $632,000 in FY 2026/27 and $539,000 in FY 2027/28 associated with a reduction in funding for contracted services for encampment clean ups in Wildland and Urban spaces.
- Homeless Prevention & Services (Measure Z): $389,000 in FY 2027/28 associated with

shifting case management costs to state grants.
- Personnel Savings (Measure Z): $191,000 in FY 2026/27 and $201,000 in FY 2027/28 associated with savings from maintaining 2 Outreach Worker positions vacant.

Internal Service Departments

The following departments are referred to as internal service departments because their costs are allocated among various city departments based on their usage of internal services. However, they may also serve in an administrative support capacity for the City at large. For example, the City Council, Office the Mayor, City Clerk, and City Manager regularly interface with residents, businesses, and other stakeholders in administration of the city government. Each of internal service departments also support internal governance by providing technology infrastructure, payroll services, facilities maintenance, and more.

CITY ATTORNEY

Proposed General Fund and Measure Z Budget

FY 2026/27: $5.94M—$5.50M General Fund/$0.44M Measure Z (12.6% Decrease)
FY 2027/28: $6.26M—$5.80M General Fund/$0.47M Measure Z (5.5% Increase)

Personnel (No Net Change):

- Transfer 13.50 FTE from the General Fund to the Liability Trust Fund to support Claims Management. This transfer is anticipated to result in a net zero impact to the General Fund.

Cost Reductions

The proposed budget includes cost reductions of $210,000 in FY 2026/27 and $258,000 in FY 2027/28. This includes the following:

- Personnel Savings (General Fund): $210,000 in FY 2026/27 and FY 2027/28 associated with savings from maintaining a Legal Secretary position vacant, underfilling a Senior Deputy City Attorney, and reducing overtime costs.
- Quality of Life Programs (General Fund): $48,000 in FY 2027/28 associated with a reduction in Quality of Life Programs that support community meetings and Gun Violence Restraining Order filings.

CITY CLERK

Proposed General Fund Budget

FY 2026/27: $2.39M (8.4% Increase)
FY 2027/28: $2.81M (17.6% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the City Clerk’s Office.

Cost Reductions

The proposed budget includes cost reductions of $91,000 in FY 2026/27 and $111,000 in FY 2027/28. This includes, but is not limited to, the following:

- Records Management Storage (General Fund): $30,000 in FY 2026/27 and $32,000 in FY 2027/28 associated with savings due to lower costs in the new Certified Records Management vendor agreement.
- Lease Savings (General Fund): $22,000 in FY 2026/27 and $45,000 in FY 2027/28 associated with savings from terminating an RPU lease after moving to the City Hall Lobby.

- Board/Commission Reception (General Fund): $6,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the annual board/commission reception.

CITY COUNCIL

Proposed General Fund Budget
FY 2026/27: $2.45M General Fund (14.8% Increase)
FY 2027/28: $2.60M General Fund (6.2% Increase)

Personnel (No Change):

- There are no recommendations related to staffing levels in the City Council budget.

City Manager

Proposed General Fund and Measure Z Budget
FY 2026/27: $5.27M—$5.13M General Fund/$0.14M Measure Z (6.6% Decrease)
FY 2027/28: $5.47M—$5.32M General Fund/$0.15M Measure Z (3.8% Increase)

Personnel (No Net Change):

- Transfer of 2.00 FTE of positions from the Grants and Restricted Programs Fund to the General Fund; positions will continue to support grant development and administration; General Fund impacts will be partially offset through indirect cost reimbursements from grant applications and awards and assumed vacancy savings. One of these positions will remain unfunded.

Cost Reductions
The proposed budget includes cost reductions of $424,000 in FY 2026/27 and $425,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $120,000 in FY 2026/27 and $122,000 FY 2027/28 associated with savings from maintaining an Executive Assistant position vacant.
- Fiscal Management Account (General Fund): $113,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the City Manager's Office Fiscal Management Account, which is used to support ad hoc projects and contracts.
- Professional Services (General Fund): $55,000 in FY 2026/27 and FY 2027/28 associated with a reduction in funding set aside for as needed professional services.
- Various Non-Professional Services (Measure Z): $40,000 in FY 2026/27 and FY 2027/28 associated with a reduction in various non personnel expenditures such as supplies, periodicals, and dues.

Finance

Proposed General Fund and Measure Z Budget
FY 2026/27: $10.98M—$10.96M General Fund/$0.02M Measure Z (7.4% Increase)
FY 2027/28: $11.76M—$11.73M General Fund/$0.02M Measure Z (7.1% Increase)

Personnel (1.00 FTE Increase):

- Increase of 1.00 FTE in the Finance Department, Debt Division for assistance with debt related reporting and issuance specifically with Riverside Public Utilities Fund and the Sewer Fund. This will result in a zero net impact to the General Fund as this position will be supported by those two funds.

Cost Reductions
The proposed budget includes cost reductions of $298,000 in FY 2026/27 and $304,000 in FY 2027/28. This includes, but is not limited to, the following:

- Fiscal Management Account (General Fund): $100,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the Finance Department Fiscal Management Account, which is used to support ad hoc projects and contracts.
- Professional Services (General Fund): $70,000 in FY 2026/27 and FY 2027/28 associated with a reduction in funding set aside for ad hoc professional services and contingency funding for consultant service contracts used on an as needed basis.
- Various Non-Professional Services (General Fund): $40,000 in FY 2026/27 and FY 2027/28 associated with a reduction in various non personnel expenditures such as supplies, periodicals, and dues.
- Budget Book Printing (General Fund): $10,000 in FY 2026/27 and FY 2027/28 associated with a reduction to discontinue hard copy printing of the Biennial Budget, Budget in Brief, and CIP Budget Book, which would remain fully available in digital form.

Critical Needs
The proposed budget includes critical need augmentation of $50,000 General Fund one-time in FY 2026/27. This includes the following:

- Investment Management Services (General Fund): $50,000 in FY 2026/27 to support a contract with Shuster Advisory Group, LLC to provide investment management services, including but not limited to: assisting with City's California Investment Policy review and monitoring, and its compliance with the State of California Local Agency Investment Guidelines; and advising the City's investment committee

GENERAL SERVICES

Proposed General Fund and Measure Z Budget
FY 2026/27: $8.63M—$5.93M General Fund/$2.70M Measure Z (7.8% Decrease)
FY 2027/28: $8.77M—$6.23M General Fund/$2.54M Measure Z (1.6% Increase)

Personnel (No Change):

- There are no recommendations related to staffing levels in the General Services budget.

Cost Reductions
The proposed budget includes cost reductions of $1.77 million in FY 2026/27 and $2.10 million in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $129,000 in FY 2027/28 associated with savings from maintaining a Real Property Services position vacant.
- Deferred Maintenance for City Facilities (Measure Z): $1 million in FY 2026/27 and FY 2027/28 associated with a reduction to deferred maintenance of City facilities.
- Automotive Equipment/Vehicle Purchases (Measure Z): $700,000 in FY 2026/27 and $900,000 in FY 2027/28 associated with a reduction of funding for non-public safety automobile equipment and vehicle purchases.

HUMAN RESOURCES

Proposed General Fund and Measure Z Budget
FY 2026/27: $6.29M—$6.10M General Fund/$0.19M Measure Z (5.1% Decrease)
FY 2027/28: $6.66M—$6.46M General Fund/$0.20M Measure Z (5.8% Increase)

Personnel (No Change):

- There are no recommendations related to staffing levels in the Human Resources budget.

Cost Reductions
The proposed budget includes cost reductions of $498,000 in FY 2026/27 and $541,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund): $105,000 in FY 2026/27 and $148,000 in FY 2027/28 associated with savings from maintaining an Executive Assistant position and (4) .25 administrative interns vacant.
- Talent Management System (General Fund): $250,000 in FY 2026/27 and FY 2027/28 associated with a delay in planning of a new talent management system to avoid potential redundancy of the program, as its functions are being considered within the City's broader Enterprise Resource Planning system efforts.
- Citywide Employee Training (General Fund): $100,000 in FY 2026/27 and FY 2027/28 associated with a reduction of funding for Citywide employee training resources.

Innovation & Technology

Proposed General Fund and Measure Z Budget
FY 2026/27: $17.32M—$16.09M General Fund/$1.23M Measure Z (0.9% Decrease)
FY 2027/28: $18.23M—$16.99M General Fund/$1.25M Measure Z (5.2% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Innovation & Technology Department.

Cost Reductions
The proposed budget includes cost reductions of $985,000 in FY 2026/27 and $1.01 million in FY 2027/28. This includes the following:

- Software and Maintenance Support (General Fund): $293,000 in FY 2026/27 and $314,000 in FY 2027/28 associated with savings from various software maintenance and support contracts due to retiring legacy system, replacement with cloud-based backup systems, lower negotiated agreements, and elimination of redundant purchases.
- Technology Replacement (Measure Z): $692,000 in FY 2026/27 and $694,000 in FY 2027/28 associated with a reduction in the replacement of City technology including proactive surveillance cameras.

OFFICE OF THE INSPECTOR GENERAL

The proposed budget includes the Office of Inspector General as a standalone office with a budget of $714,000 in FY 2026/27 and $817,000 in FY 2027/28 and 3.0 FTEs including an Inspector General, Organizational Performance and Audit Manager, and Performance Analyst.

Marketing & Communications

Proposed General Fund Budget
FY 2026/27: $2.76M General Fund (8.4% Decrease)
FY 2027/28: $2.82M General Fund (2.4% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Marketing & Communications Department.

Cost Reductions
The proposed budget includes cost reductions of $165,000 in FY 2026/27 and $172,000 in FY 2027/28. This includes, but is not limited to, the following:

- In Person Spanish Interpreters (General Fund): $86,000 in FY 2026/27 and FY 2027/28 associated with a reduction to align budget with actual spending trends.
- American Sign Language Interpretive Services (General Fund): $45,000 in FY 2026/27 and FY 2027/28 associated with a reduction to align budget with actual spending and account for amounts budgeted within other departments.

Critical Needs
The proposed budget includes critical need augmentation of $430,000 General Fund in FY 2026/27 and $330,000 FY 2027/28. This includes, but is not limited to, the following:

- Visit Riverside Campaign (General Fund): $150,000 ongoing to extend previously allocated one-time funding to support Visit Riverside consultant services, website management, social media, development of digital marketing strategy, billboards, online advertising, and print advertising.
- TV Content Curation (General Fund): $100,000 ongoing to extend previously allocated one-time funding to support video editing, script writing, and consulting services necessary to expand the use of Riverside TV and provide more robust, regular local programming relevant to residents and local businesses.
- City Branding Initiatives (General Fund): $100,000 in FY 2026/27 to extend previously allocated one-time funding to support activities to attract businesses, investors, and a talented workforce including advertising, print collateral, billboards, magazine ads, and other channels to promote the City's economic growth and development.

OFFICE OF THE MAYOR

Proposed General Fund Budget
FY 2026/27: $1.37M General Fund (12.7% Increase)
FY 2027/28: $1.46M General Fund (6.4% Increase)

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Office of the Mayor.

The proposed budget includes a decrease of approximately $10,000 for travel and meeting expenses associated with the Big City Mayors and U.S. Conference of Mayors, maintaining $34,000 in FY 2026/27 and FY 2027/28.

Budget Overview - Major Enterprise Funds

The proposed operating budgets for the City's major enterprise funds listed in the following table account for 56% of the citywide operating budget in FY 2026/27 and 55% of the citywide operating budget in FY 2027/28. The budget for each fund is aligned with their respective rate plans or fee schedules.

MAJOR ENTERPRISE FUNDS – OPERATING Proposed Annual Budget	Incoming Resources	Outgoing Resources	Surplus / (Deficit)
FY 2026/27			
Electric	$ 510,495,612	$ 499,199,712	$ 11,295,900
Water	121,799,488	110,527,067	11,272,421
Refuse	40,029,481	42,102,463	(2,072,982)
Sewer	74,256,685	74,936,059	(679,374)
Public Parking	11,929,649	11,248,515	681,134
Total	**$ 758,510,915**	**$ 738,013,816**	**$ 20,497,687**
FY 2027/28			
Electric	$ 514,414,635	$ 482,331,309	$ 32,083,326
Water	123,685,621	114,492,509	9,193,112
Refuse	42,297,332	44,119,773	(1,822,441)
Sewer	74,983,400	77,426,644	(2,443,244)
Public Parking	12,079,592	11,532,430	547,162
Total	**$ 767,460,580**	**$ 729,902,665**	**$ 37,557,915**

ELECTRIC FUND

The proposed budget for the Electric Fund estimates an operating gain of $11.3 million in FY 2026/27 and a net gain of $32.1 million in FY 2027/28, when excluding capital expenditures. The undesignated cash reserve balance in conjunction with the line of credit is projected to fall below target minimum reserve levels for FY 2026/27 but will return to policy minimum reserve in FY 2027/28 consistent with the approved Electric rate plan.

Revenue:

The primary source of revenue for the Electric Fund is retail sales, financing 75% of the Electric Fund expenditure budget. Current revenue sources, including other non-retail revenues, will not be adequate to cover Electric Fund's expenditure budget, which is detailed in the rate plan. Bond proceeds of approximately $52.6 million and $48.8 million will be utilized to fund a significant portion of the capital improvement projects for FYs 2026/27 and 2027/28 respectively. Reserves will be used to cover the remaining expenditures in FY 2026/27, as planned with the rate plan.

Expenditures:

The proposed two-year budget for the Electric Fund outlines year-over-year increase of 5.9% in FY 2026/27 ($33.3 million) and a decline of 3.5% (-$20.5 million) in FY 2027/28. These increases are driven by a combination of factors. The primary driver is a rise in Power Supply costs, which account for 48% of the Electric Fund's total budget. This includes projected increases in transmission costs, California Independent System Operator (CAISO) energy costs, and gas purchases for the Utility's generating stations. Several other cost areas are also contributing to

the budget increase. Capital Outlay costs, as reflected in the approved rate plan, are rising. Finally, personnel costs are increasing due to salary and benefit adjustments.

Capital:
The proposed CIP for the Electric Fund is $79.7 million for FY 2026/27, and $75.6 million for FY 2027/28. Bond proceeds of approximately $33.2 million and $49.0 million will be utilized to fund a major portion of the capital improvement projects for FY 2026/27 and FY 2027/28 respectively. Reserves will be utilized to cover the balance of the expenditures in FY 2026/27, as planned with the rate plan.

The proposed CIP for Electric includes the preliminary study for battery storage project, an EV charging infrastructure project to support RPU fleet electrification, and internal generation RERC and Clearwater, capital repair and replacement projects.

The following table summarizes Electric CIP by project type. A detailed listing of Electric capital projects is included in Attachment 1C - Capital Improvement Plan.

SUMMARY - ELECTRIC CAPITAL PROJECTS
FY 2026-2028 Proposed Capital Budget
(in millions)

		FY 2026/27		FY 2027/28
Project Type				
Overhead	$	10.4	$	11.1
Underground		17.8		18.5
Substation		28.3		22.4
Recurring / Obligation to Serve		15.9		17.1
System Automation		7.3		6.5
Total Capital Budget	**$**	**79.7**	**$**	**75.6**

Personnel (5.00 FTE Decrease):
Decrease of 5.00 FTE to offset the fiscal impact of department reorganizations and reclassifications aligned with staffing needs and priorities.

Cash Reserves:
The Electric Fund's reserves, in conjunction with line of credit, will be used to balance the two-year budget and maintain the minimum target reserve levels established by the RPU Cash Reserve Policy. The financial strategy within the adopted Electric Rate Plan is to minimize rate increases by maintaining minimum required reserve levels. However, the Electric Fund's projected reserves fall below target minimum reserve levels for FY 2026/27 and return above the minimum reserve levels in FY 2027/28. This is permitted by the RPU Cash Reserve Policy and consistent with the approved Electric Rate Plan.

WATER FUND

The proposed budget for the Water Fund estimates an operating gain of $11.3 million in FY 2026/27 and $9.2 million in FY 2027/28, when excluding capital expenditures. In compliance with the RPU Cash Reserve Policy, undesignated cash reserves in conjunction with the line of credit are projected to maintain target minimum reserve levels.

Revenue:
The primary source of revenue for the Water Fund is retail sales, which will fund 59% of the Water expenditure budget. Current revenue sources, including other non-retail revenues and bond proceeds will not be adequate to cover the Water Fund's expenditure budget, which is included in the rate plan. Bond proceeds of approximately $37.5 million and $30.8 million will be used to fund a signification portion of the capital improvement projects for FYs 2026/27 and 2027/28, respectively.

Expenditures:
The proposed two-year budget for the Water Fund reflects year-over-year increases of 19.0% ($25.1 million) for FY 2024/25 and a reduction of 2.4% ($3.8 million) for FY 2025/26. The increase in year one is primarily driven by higher Systems Operations and Capital Outlay costs. This includes a one-time purchase of new heavy vehicles and ongoing increases in production and chemical supply costs due to stricter testing regulations. Personnel costs also increased due to increases in salaries and benefits adjustments related to bargaining agreements and increased competitive market forces.

Capital:
The proposed CIP for the Water Fund is $45.3 million for FY 2026/27, and $37.5 million for FY 2027/28. The following table summarizes Water CIP by project type. A detailed listing of Electric capital projects is included in Attachment 1 - Capital Improvement Plan.

SUMMARY - WATER CAPITAL PROJECTS
FY 2026-2028 Proposed Capital Budget
(in millions)

	FY 2026/27	FY 2027/28
Project Type		
Water Supply	$ 5.5	$ 1.1
Well Projects	7.4	4.9
Transmission Pipelines	8.4	9.5
Distribution Pipelines	17.3	17.1
Distribution Facilities	2.7	2.7
Treatment Plants	0.3	1.7
Reservoir Projects	0.4	0.3
System Automation	3.3	0.2
Total Capital Budget	**$ 45.3**	**$ 37.5**

Cash Reserves:
The Water Fund's undesignated cash reserves, in conjunction with the line of credit, are projected to maintain required minimum target reserve levels in accordance with the RPU Cash Reserve Policy.

REFUSE (SOLID WASTE) FUND

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. Although the adopted five-year solid waste rate plan is projected to bring in additional revenue, a draw on Refuse Fund reserves will be required for at least two more years. This is the result of an intentional phase-in of increased residential rates, designed to gradually bring the fund into

balance while mitigating the financial impacts of the new rates on customers. Further, the Refuse Fund is making the final repayments to the General Fund in the next two fiscal years for a loan provided for the purchase of new solid waste vehicles. Accordingly, the Refuse Fund is expected to operate in a deficit position of $2.1 million in FY 2026/27 and a deficit position of $1.8 million in FY 2027/28; there are sufficient reserves to cover the anticipated deficit.

Revenue:
Refuse Fund revenue assumptions for FYs 2026/27 through 2027/28 incorporate the City Council-approved rate increase structure for residential solid waste services through June 30, 2028. This revenue increase is expected to eliminate the need to rely on Refuse Fund reserves for operational costs starting in FY 2028/29.

Since FY 2022/23, the Refuse Fund received various one-time support, including $7.9 million from General Fund Infrastructure Reserves ($2.9 million of which was a loan for the purchase of new vehicles), $4.0 million in ARPA funds for the purchase of new refuse vehicles, as well as $2.0 million in ARPA funds for replacement of lost revenue. The introduction of new street sweeping vehicles should help boost the revenue in the street sweeping category, in addition to other factors such as updated street sweeping signage, the enforcement of previously unenforceable routes, and stabilized staffing levels within the Public Parking Division. These improvements are all expected to contribute to consistent service delivery and a corresponding increase in enforcement actions related to street sweeping regulations.

Expenditures:
In recent years, rising solid waste costs have been attributed to a variety of factors, including inflation-driven increases in equipment maintenance, elevated recycling and disposal fees, and new State requirements such as SB 1383. Future disposal expenses are anticipated to rise further due to CPI-based adjustments and increased tip fees set by the Materials Recovery Facility. Mixed organics contribute significantly to these cost escalations, as higher contamination levels necessitate additional sorting, de-packaging, and residue handling—processes that slow operations and raise per-ton rates and contamination surcharges.

Compliance with SB 1383 introduces substantial ongoing costs, encompassing expanded organics collection, contamination monitoring, public education initiatives, edible food recovery programs, procurement of recovered organic products, and comprehensive reporting obligations. Loads exhibiting excessive contamination may incur surcharges or be rejected outright.

Despite the addition of 17 new vehicles over FY 2024/25 and FY 2025/26, the existing fleet continues to experience high mileage and heavy wear, resulting in increased maintenance requirements and diminished efficiency. The proposed budget includes $1.3 million in FY 2026/27 and $1.5 million in FY 2027/28 for the continued replacement of solid waste vehicles.

Staffing shortages persist; the division is collaborating with Human Resources to expedite recruitment and address vacant positions. To maintain uninterrupted service, Athens Services temporarily assumed responsibility for collection routes during periods of limited staffing and heightened vehicle breakdowns, thus ensuring residents receive timely and dependable service. Collectively, these factors drive ongoing increases in the Solid Waste Division’s operating costs. Continued investment in fleet acquisition, staffing, and regulatory compliance remains essential to providing reliable service and fulfilling State mandates.

Reserves:
The Refuse Fund is projected to enter FY 2026/27 with approximately $15.1 million in reserves. The five-year long-term plan projects a draw on reserves of $2.1 million and $1.8 million in FYs 2026/27 and 2027/28, respectively. There are sufficient reserves to cover the operation deficits for the budgeted operations of the fund.

SEWER (WASTEWATER) FUND

The proposed budget for the Sewer Fund projects an operating loss of $679,374 in FY 2026/27 and $2.4 million in FY 2027/28, when excluding capital expenditures. The operating losses are driven by increased operation cost and lower revenue connections. The annual loss significantly increases when adding capital expenditures. The Sewer Fund is not expected to meet reserve policy minimums starting in FY 2027/28, unless revenues increase organically or new rate increases are adopted.

Revenue:
Sewer Fund revenues for FYs 2026/27 and FY 2027/28 are projected to decline slightly compared to prior forecasts, driven primarily by reduced service demand and new connections. Although the fund previously benefited from higher than projected Sewer Connection Fees due to strong development activity, those development related revenues are now moderating as regional construction slows in response to higher financing costs and tightening economic conditions. Consequently, the Sewer Fund will continue drawing on reserves to fund core operations and capital improvements. This mirrors broader utility section trends: slower growth, softening development revenue, and limited flexibility without rate adjustments.

Expenditures:
The proposed budget maintains the City's commitment to reliable and compliant sewer service by funding the essential operations of the Regional Water Quality Control Plant in accordance with federal, state, regional, and local regulations. The plant's primary function-removing organic matter from wastewater to meet required discharge and recycled water quality standards-remains a critical public health and environmental responsibility.

Economic trends continue to exert upward pressure on expenditures, with significant inflationary impacts in key operational cost categories including chemicals, consumables, materials, labor, and energy. The budget maintains both preventative and corrective maintenance while pursuing operational efficiencies to mitigate the sharply rising cost of equipment, servicing, repairs, and replacement. Treatment processes have risen nationwide, and the Sewer Fund is experiencing these same pressures.

Capital:
The proposed capital budget for the Sewer Fund totals $200,000 in FY 2026/27 and $10.0 million in FY 2027/28. Capital projects may span multiple years; a listing of all active and proposed project descriptions is included in Attachment 1 - Capital Improvement Plan.

SEWER CAPITAL PROJECTS FY 2026-2028 Proposed Capital Budget		
	FY 2026/27	**FY 2027/28**
Project Name		
Dexter Wastewater	$ -	$ 2,500,000
Fairgrounds Wastewater	-	3,207,576
WCQP - Master Plan Update	-	92,424
WCQP - Plant II Sludge Pumps I & II Rehabilitation	-	600,000
WCQP - Security Upgrades Phase III	200,000	200,000
WCQP – Upgrade Flow Meters to Electromagnetic Meters	-	3,400,000
Total Capital Budget	**$ 200,000**	**$ 10,000,000**

Personnel (1.00 FTE Increase):
Increase of 1.00FTE to support operations of Collection Systems Maintenance.

Reserves:
Inclusive of both the capital and operating budgets, the proposed budget for the Sewer Fund projects a draw on reserves of approximately $879,374 in FYs 2026/27 and $12.4 million in 2027/28. There are sufficient fund reserves to cover these projected deficits in the Sewer Fund. However, it is estimated that starting in FY 2027/28, the Sewer Fund will be below the required fund reserve level prescribed by the Sewer Reserve Policy unless revenues grow organically or a new rate increases are adopted.

PUBLIC PARKING FUND

On April 18, 2023, the City Council approved a Parking Rate and Hour Schedule effective July 1, 2023. Revenue and expenditure projections in the FY 2026-2028 budget reflect this new rate schedule.

The proposed budget for the Public Parking Fund projects an operating gain of $681,134 in FY 2026/75 and $547,162 in FY 2027/28, when excluding capital expenditures.

Revenue:
Public Parking Fund revenues will continue to stabilize and moderately increase due to Park Riverside's - Parking Your Way program, Parking Access Revenue Control System (PARCS), and approved parking rate and hour schedule. Parking Your Way has been overwhelmingly successful because it provides accessible and free parking in roughly 4,000 spaces downtown, the platform provides a convenient phone-based payment option, and it expands the hours of operation including overnight parking.

The Parking Access Revenue Control Systems (PARCS) installed in all five garages has enhanced the customer's experience, helped realize actual revenues, and assisted with managing validations, event parking, and monthly permit holders. Parking Enforcement revenues will continue to level out and moderately increase due to stabilized staffing levels for street sweeping enforcement and citywide enforcement. The recently approved bail schedule will offset citation processing costs. The expansion of handheld enforcement devices for RPD's PANS and Traffic Bureau should contribute to enhanced revenue growth.

Expenditures:
Operating expenditures are expected to increase with the expanding parking enforcement handheld devices with RPD's PANS and Traffic Bureau. A new Downtown Parking Operations contract is anticipated in FY 2026/27 and will require a higher level of management oversight for Event Parking, Valet Services, Property Management, Site Security, and General Maintenance.

In order to address the expanded operation hours and staffing demands 2.0 FTE Parking Operation Supervisors will be added to the budget. The budget also includes capital improvement projects such as on street/off street space monitoring, garage guidance systems, new pay stations, and structural maintenance for the garages.

The budget also includes costs associated with planned structural repairs to downtown garages and capital projects aimed at enhancing customer safety and attracting new customers.

Capital:
The capital budget for the Public Parking Fund $1.2 million in FY 2026/27 and $2.3 million in FY 2027/28. The capital projects are expected to be funded by available working capital.

PUBLIC PARKING CAPITAL PROJECTS
FY 2026-2028 Proposed Capital Budget

	FY 2026/27	FY 2027/28
Project Name		
On-Street Space Monitoring System	$ 200,000	$ -
Parking Garage #7 - Structural Maintenance	-	500,000
Parking Garage - Guidance, Lighting, Camera System	833,334	-
Parking String Lighting	10,047	-
Replace IPS Pay Stations	-	1,800,000
Uninterrupted Power Supply Backup System	150,000	-
Total Capital Budget	**$ 1,193,381**	**$ 2,300,000**

Reserves:
Inclusive of both the capital and operating budgets, the proposed budget for the Public Parking Fund anticipates a draw on fund reserves of approximately $512,000 in FY 2026/27 and $1.75 million in FY 2027/28. Sufficient reserves are available to cover the projected deficits.

Personnel Changes
The following table lists net personnel changes by fund. A detailed explanation of personnel changes is attached to this report.

Fund	Adopted FY 2025/26	Proposed FY 2026/27	Change	Proposed FY 2027/28	Change
101 - General Fund	1,588.76	1,577.26	(11.50)	1,581.26	4.00
110 - Measure Z Fund	173.25	173.25	-	173.25	-
170 - Development	3.00	3.00	-	3.00	-
215 - Grants and Restricted Programs	6.00	4.00	(2.00)	4.00	-
220 - CDBG-Community Development	4.00	4.00	-	4.00	-
260 - NPDES Storm Drain	2.00	2.00	-	2.00	-
280 - Housing Authority	7.00	6.00	(1.00)	6.00	-
510 - Electric	473.00	468.00	(5.00)	468.00	-
520 - Water	165.00	165.00	-	165.00	-
530 - Airport	8.00	8.00	-	8.00	-
540 - Refuse	67.00	67.00	-	67.00	-
550 - Sewer	121.00	122.00	1.00	122.00	-
560 - Special Transit	36.00	42.00	6.00	42.00	-
570 - Public Parking	23.00	23.00	-	23.00	-
610 - Workers' Compensation Trust	5.00	5.00	-	5.00	-
630 - Liability Insurance Trust	10.00	23.50	13.50	23.50	-
640 - Central Stores	9.00	9.00	-	9.00	-
650 - Central Garage	39.00	39.00	-	39.00	-
Grand Total	**2,740.01**	**2,741.01**	**1.00**	**2,745.01**	**4.00**

FISCAL IMPACT:

There is no fiscal impact associated with the City Council recommendations included in this report. With City Council approval, a public hearing will be held on June 23, 2026, followed by adoption of the proposed budget which currently totals approximately $1.57 billion in FY 2026/27 and $1.59 billion in FY 2026/28, including both the City's operating budget and planned capital projects.

Prepared by: Peter Kakos, Budget & Revenue Manager
Approved by: Sergio Aguilar, Deputy Finance Director
Certified as to availability of funds: Julie Nemes, Interim Finance Director
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Proposed Budget Schedules
    - Revenues and Expenditures by Fund & Category
    - Expenditures by Department and Fund
    - Capital Improvement Plan
    - Citywide Personnel Detail

- Five-Year Financial Plans - General Fund, Measure Z, Electric, Water, Refuse, Sewer, Public Parking

2. Deficit Solving Measures
3. Augmentations for 2026-2028 Biennial Budget
4. Measure Z Spending Plan
5. Community Engagement and Budget Survey Results
6. Presentation