



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 10, 2016**
FROM: GENERAL SERVICES DEPARTMENT **WARDS: ALL**
SUBJECT: BUDGET PRESENTATION FROM THE GENERAL SERVICES DEPARTMENT

ISSUE:

The issue for City Council consideration is to receive and provide input on a budget presentation from the General Services Department about 1) current and historical operations; 2) FY 2016/17 recommended reductions; 3) unfunded challenges for fiscal years (FY) 2016/17 and 2017/18; and proposed Compressed Natural Gas (CNG) rates to internal and external customers.

RECOMMENDATIONS:

That the City Council receive and provide input on the General Services Department's 1) current and historical operations; 2) FY 2016/17 recommended reductions; 3) unfunded challenges for fiscal years (FY) 2016/17 and 2017/18; and 4) proposed CNG rates to internal and external customers.

BACKGROUND:

Department Operations

The General Services Department provides a variety of internal services, with a focus on maintaining the City's fleet and facilities and managing Riverside Municipal Airport, one of the largest general aviation airports in Southern California.

The chart below provides a snapshot of the General Services Department by division.

Division	Services
Administration	Oversee administrative functions (budget, personnel, and special programs)
Airport	Ensure safe municipal & corporate aviation operations and airport leasing program
Building Services	Maintain function, appearance & safety for nearly 125 public facilities
Capital Projects	Project management for citywide capital improvement program (buildings)
Fleet Services	Purchase/maintain city fleet of 1,400 units (sedans, light / heavy duty vehicles, equipment and fire apparatus)
Property Services	Manage 134,982 square feet of building space, 41 cell towers, and \$2.3 million in annual revenue to the City
Publishing (Mail & Copy Services)	Process daily routing and mail delivery and process Riverside Public Utility billing

General Services' goal is to provide excellent customer service in the most cost-effective manner. To ensure divisions are performing their best, the Department measures performance in a variety of ways, including fleet mechanic productivity compared to industry standards, percentage of preventive fleet maintenance compliance, capital projects completed on time/on-budget and timely response to building service work requests. The Department continues to improve how it tracks performance. The following are a couple examples of key annual performance indicators:

- 100% Fleet Preventative Maintenance compliance (Special Transit and Central Garage)
- 8 years as Top 100 Fleet
- 0% tenant vacancy at Riverside Municipal Airport
- Less than 1% tenant vacancy at Magnolia Place Shopping Center
- 1.5 million utility bills processed; 336,000 pieces of first class mail sorted annually
- Completed Museum Storage retrofit at Dalton facility under budget and on schedule

Accomplishments

General Services continually researches best practices to improve efficiencies and manage costs. Listed below are just few examples of accomplishments achieved during the current fiscal year.

Airport	Strategic Priorities
	<i>Continue to develop an economically vibrant City of Riverside</i>
	<i>Provide appealing, accessible and safe venues</i>
	<i>Continue to develop efficient transportation systems and provide affordable options for community mobility</i>

- Made significant progress in negotiations for a long-term ground lease agreement to develop 18 acres on the westside of the Airport. This new project includes approximately 100,000 square feet for an aviation training facility, private aircraft hangar space, a corporate jet charter company and room to develop future smaller aircraft hangars.
- Generated new Airport revenue of approximately \$235,000 in one year.

Fleet	Strategic Priorities
	<i>Enhanced Customer Service: Improved Quality of Life</i>
	<i>Continue to develop efficient transportation systems and provide affordable options for community mobility</i>
	<i>Improve Teamwork and Communication</i>
	<i>Reduce Taxpayer Liability and Reduce Costs Wherever Possible</i>

- Implemented operational changes that **increased compliance for preventive maintenance from 40% to 100%** and generated a **savings of approximately \$200,000 at the Main Shop and \$100,000 at the Special Transit Facility** in the first year.
- Substantially completed the construction of a new Hydrogen fueling station at the City's Corporation Yard.

Other Accomplishments:

- Substantial completion of City Attorney Office relocation from City Hall to Mission Square.
- Completed Museum Department collections facility retrofit.
- Implemented new processes to the tracking system for building maintenance work orders and adopted the Hive for Project Management tracking and improved reporting.

- Completed security assessments and minor improvements for City facilities.

Overview of Prior and Current Financials

GENERAL SERVICES	FY 2013-14 Actuals		FY 2014-15 Actuals		FY 2015-16 Adopted Budget	
Division Operational Expenditures	\$	FTEs	\$	FTEs	\$	FTEs
Administration	\$ 408,755	4	\$ 744,659	4	\$ 890,716	6
Property Management	\$ 133,038	1	\$ 142,002	1	\$ 143,604	1
Building Services-Maintenance	\$ 2,362,663	14	\$ 2,405,301	14	\$2,392,498	14
Publishing Services	\$ 285,577	4	\$ 231,119	4	\$ 392,067	4
Broadcasting	\$ 487,080	3	\$ 1,018,753	3		0
Capital Projects	\$ 765,703	6	\$ 516,728	6	\$ 533,769	4
<i>Central Garage¹</i>		34		34		38
<i>Airport¹</i>		6		6		6
Totals	\$ 4,442,815	72.25	\$ 5,058,561	72.25	\$4,352,654	73.25

Major Changes in FY 2015-16 include:

- Restructuring of Administrative Division with addition of Administrative Services Manager and transferring one Project Assistant from Capital Projects to strengthen department administrative operations.
- Moving the Broadcasting function from General Services to the Communications Office as part of organizational restructuring.

Departmental 4% Reduction Measures and Managed Savings

During the development of the FY 2016-2018 two-year budget, the Finance Department estimated the City would have a structural shortfall in the General Fund of approximately \$10 million to \$12 million. To address the issue, each department was asked to reduce their General Fund operational budget by 4%. This amount is in addition to the Department's annual managed savings target. A managed savings target represents the amount of money the department has historically saved each year. Examples of managed savings include vacancy savings and better pricing on professional services than expected. Typically, departments have been left to manage their budget to determine how these managed savings amounts would be achieved; however, given the need to reduce 4% of the Department's operating budget, it is imperative a plan to realize the managed savings target is provided.

For the FY 2016-18 two-year budget, the General Services Department has the following 4% reduction and managed savings targets:

- \$152,930 (4% reductions)
- \$200,000 (managed savings)
\$352,930 (9% total budget reduction)

4% Reductions

In order to achieve 4% savings (\$152,930) of the Department's General Fund operational budget, the following measures may be needed:

- Administration (\$153,000)
 - Defer recruitment of vacant Assistant Director position for five months.
 - Impacts Department operations through minimized project oversight.
 - Transfer Management Analyst to Fleet Fund.
 - Improves services to Fleet, may result service impacts to Administration.

Managed Savings

In order to achieve the Department's managed savings target (\$200,000) for the General Fund, the following measures may be needed:

- Building Services/Maintenance (\$98,500)
 - Charge unallocated 25% for Project Coordinator to Fleet Fund to oversee fleet facilities and infrastructure projects.
 - May impact oversight of General Fund capital projects.
 - Reduce purchase orders for facilities maintenance
 - This will result in service reductions to internal departments. General Services will continue to prioritize maintenance projects and delay the least critical, but these reductions will further inhibit the Department's ability to complete critical maintenance functions.
- Capital Projects (\$86,500)
 - Attrition through one expected retirement. In the event this does not occur, the Department will defer recruitment of the Assistant Director position for the rest of the fiscal year or may need to eliminate another position.
 - Reduction in internal service and overall maintenance of facilities.
- Publishing (\$15,000)
 - Delay purchase of publishing equipment.
 - May have an impact on ability to process mail.

Critical Unfunded Needs

Priority Level	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Highest	\$3,156,152	\$2,678,940	\$4,325,380	\$4,326,868	\$4,328,464
High	\$106,164	\$111,456	\$117,012	\$122,856	\$122,856
Important	\$333,300	\$183,948	\$190,572	\$197,700	\$202,116
Grand Total	\$3,595,616	\$2,974,344	\$4,632,964	\$4,647,424	\$4,653,436

As identified in General Services February 23, 2016 presentation to City Council, the Department has insufficient budget appropriations and staffing to deploy a strategic, preventative maintenance strategy.

The table above summarizes the Department's projected needs to implement a preventative maintenance and adequate capital improvement program. For example, included in the 'Highest' category are increased funds for capital improvements averaging **\$2.5 million per year**, as well as additional budget for routine maintenance.

Furthermore, while not included in this table, but as discussed in General Services' February presentation there are no established funding sources for construction of new essential facilities such as a new downtown library and police station, rehabilitation of existing library to

accommodate Discovery Cube, parking garages, museum storage facility and Convention Center (Events Center) expansion which combined are estimated **at approximately \$180 million.**

Unfunded Needs - Capital Improvement Program (see Attachment 5)

Unfunded Capital Needs by Category	FY 2016/17 Proposed Original Appropriation	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Total CIP Unfunded 5-Year Plan
Add Value/ Increase Efficiency	\$ 693,000	\$ 720,500	\$ 446,000	\$ 343,000	\$ 443,000	\$ 2,645,500
Cost Reduction	216,000	110,000	60,000	-	-	386,000
Enhancement / Beautification	196,700	412,000	72,000	227,000	3,786,000	4,693,700
Health and Safety	1,948,000	1,000,000	545,000	275,000	235,000	4,003,000
Legal Mandate	160,000	1,160,000	150,000	170,000	950,000	2,590,000
General Services Total	\$3,213,700	\$3,402,500	\$1,273,000	\$1,015,000	\$5,414,000	\$14,318,200

This table identifies unfunded projects according to category. For example, a critical role of the Department is to maintain the value of City assets. While many of our projects are routine in nature, they serve to “add value or increase efficiency”, such as installing more efficient heating and air conditioning systems, replacement of flooring or roofs, and installation of water wise landscaping. Other projects will reduce long term costs, such as the installation of energy efficient lighting and automated energy management systems. Another way to preserve our assets is to ensure that they not only function well, but are appealing. Projects in the Enhancement/Beautification category include replacement of carpet, façade repairs, landscaping and entry way sidewalks and/or driveways. The Department also identified projects to replace carpet with tile at Fire Stations as a Health and Safety issue. In the older stations replacement of carpeted areas with tile greatly reduces their exposure to potential toxins. Finally, the City is subject to multiple mandates as it relates to facility design. The majority of projects in this category relate to the City’s mandate under the Americans with Disabilities Act (ADA). Other type of projects included in this category would include those supporting historically significant properties.

New/Enhanced Revenues

While General Services’ revenues have remained relatively stable, the following new revenue program is provided for discussion and input. Riverside offers a variety of alternative fuels to the public at two locations: 1) City Corporation Yard and 2) Acorn facility (near the Water Quality Control Plant). Fuel types offered for public sale are Compressed Natural Gas (CNG) and Propane (Liquefied Propane Gas). General Services sells approximately 150,000 gallons of propane and 1 million gallons of CNG fuel per year.

CNG Fuel: Riverside has long provided the lowest pricing for CNG and propane fuel throughout the Southern California region, and beyond. CNG customers include public sedans, school bus fleets, private refuse trucks, gas company vehicles, etc.

Staff proposes to increase the per gallon equivalent price for CNG fuel from \$1.59 to \$1.75 per

gallon or an increase of .16 per gallon. To provide context on Riverside's pricing for CNG rates, the following table illustrates March 2016 CNG per gallon rates in nearby cities.

Rate Comparisons	
Corona	\$1.88
Chino	\$2.16
*Ontario (two locations)	\$2.16 and \$2.45
Moreno Valley	\$2.18
*Fontana (two locations)	\$2.23 and \$2.42
Redlands	\$2.35
San Bernardino	\$2.67

Source: cngprices.com/station_map.php

As the table illustrates, an increase to \$1.75 per gallon will retain Riverside's competitive pricing for CNG fuels.

Propane Fuel: Riverside's price for propane is on average \$1.50 gallon as compared to \$2.50 - \$3.00 per gallon at nearby locations. Staff proposes increasing propane by .16 per gallon from \$1.50 to approximately \$1.66 per gallon still maintaining Riverside's competitive pricing for propane.

The price increase would be phased and would generate approximately \$200,000 per year for the Fleet (65) Fund. The impact to City departments would be approximately \$73,000. The largest City department users of these fuels are enterprise funds, which do not impact the General Fund. The resulting revenues will be used for fleet facility and infrastructure improvements and alternative fuel program expansion projects such as:

- Replacement of failing concrete at the Corp Yard fuel Island (\$125,000)
- Installation of additional Electric Vehicle chargers at the Corp Yard (\$41,000)
- AIM2 Wireless upgrades for fuel master system – AIM 2 is fleet's automated fuel management system (\$30,000)
- TV screen for remote monitoring of Acorn fuel island at main shop (\$5,000)
- Drive off protection for CNG dispensers (\$25,000)

FISCAL IMPACT:

There is no direct fiscal impact associated with this report; however, as stated above the two-year budget process will include necessary deliberation on the proposed measures to meet both 4% reductions and managed savings targets. Moreover, the unfunded needs discussed above represent fiscal challenges above and beyond these reduction targets. Potential revenue from the fuel increase would be an estimated \$200,000 to the Fleet Fund.

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 availability of funds: Scott Miller, Interim Finance Director/Treasurer
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Attachments:

1. Presentation
2. Department Organization Chart
3. Financial Summaries
4. Unfunded Needs