



CITY MANAGER'S PROPOSED FISCAL YEAR 2016-2018 TWO-YEAR BUDGET AND FIVE-YEAR FINANCIAL PLAN

Finance Department

City Council Meeting
May 31, 2016

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OVERVIEW

- Presentation of Two-Year Budget and Five-Year Plan
- Represents a New Process
 - Improved Long-Term Planning
 - Enhanced Transparency
 - Focus on Accuracy, Fiscal Discipline and Management Action



2

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BOTTOM LINE

- **FY 2016/17**
 - \$990,268,568 All Funds expenditures
- **FY 2017/18**
 - \$971,380,144 All Funds expenditures



3

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MAJOR FUNDS: 86% OF ALL FUNDS

- **The General Fund**
 - FY 2016/17 - \$277,350,449 expenditure budget
 - FY 2017/18 - \$280,965,952 expenditure budget
- **The Electric Fund**
 - FY 2016/17 - \$403,912,904 expenditure budget
 - FY 2017/18 - \$404,120,102 expenditure budget
- **The Water Fund**
 - FY 2016/17 - \$90,350,689 expenditure budget
 - FY 2017/18 - \$75,963,995 expenditure budget
- **The Sewer Fund**
 - FY 2016/17 - \$76,973,714 expenditure budget
 - FY 2017/18 - \$73,999,313 expenditure budget

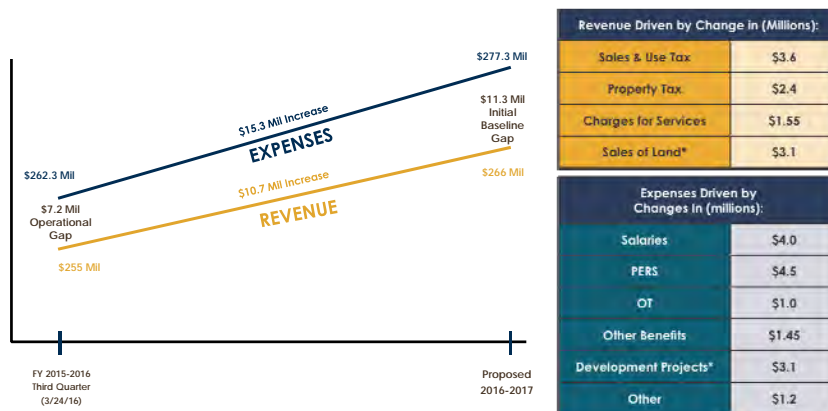


4

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GENERAL FUND: FISCAL PRESSURES IDENTIFIED IN THE CURRENT FISCAL YEAR (FY 2015-16) REMAIN FOR THE NEXT FIVE YEARS

FY 2015-16 initial baseline deficit increases from **\$7.2 million** in FY 2015-2016 to **\$11.3 million** for FY 2016-2017.
Not a revenue problem – rather, **unsustainable expenditure growth**.

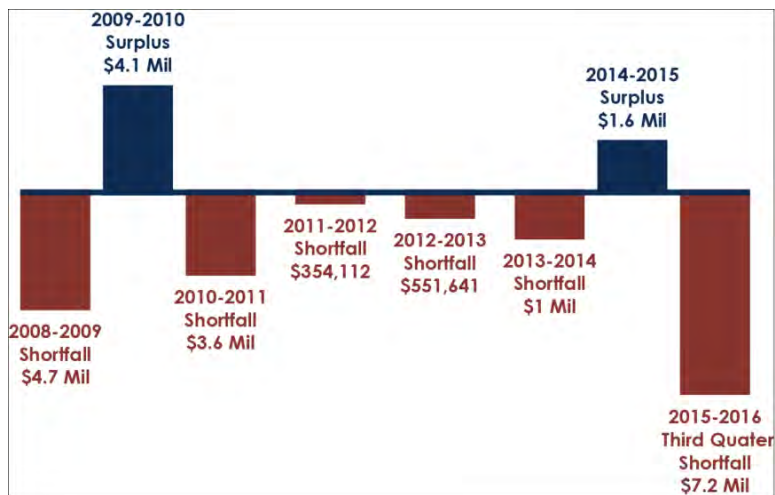


*ONE-TIME CHANGE 5



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GENERAL FUND: EXPENDTURE ISSUE HAS EXISTED FOR YEARS



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Category	3rd Quarter FY 2015/16	Proposed: FY 2016/17	Proposed: FY 2017/18	5-Year FY 2018/19	5-Year FY 2019/20	5-Year FY 2020/21
Beginning General Fund Reserve	\$ 40,085,510	\$ 32,853,252	\$ 32,884,565	\$ 34,263,952	\$ 37,201,082	\$ 38,999,090
Baseline Revenue	\$255,093,517	\$266,021,469	\$272,700,401	\$284,183,482	\$291,258,952	\$305,028,077
Baseline Expenditures	\$262,325,775	\$277,350,449	\$280,965,952	\$288,947,080	\$294,517,629	\$297,769,973
Initial Baseline Budget Surplus / (Deficit)	\$ (7,232,258)	\$ (11,328,980)	\$ (8,265,551)	\$ (4,763,598)	\$ (3,258,677)	\$ 7,258,104
Union Compensation Model	\$ -	\$ (51,764)	\$ (1,431,685)	\$ (3,779,305)	\$ (6,133,348)	\$ (8,503,184)
Cost Plan Update	\$ -	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
RPU Water Revenue Update Due to Anticipated Changes in Drought Restrictions	\$ -	\$ 205,000	\$ 590,000	\$ 290,000	\$ -	\$ -
Revised Baseline Surplus / (Deficit)	\$ (7,232,258)	\$ (10,575,744)	\$ (8,507,236)	\$ (7,652,903)	\$ (8,792,025)	\$ (645,080)
Initial Balancing Measures						
Departmental Reductions	\$ -	\$ 10,511,377	\$ 10,489,353	\$ 10,489,353	\$ 10,489,353	\$ 10,489,353
Revised Baseline Surplus / (Deficit) After Initial Balancing Measures	\$ (7,232,258)	\$ (64,367)	\$ 1,982,117	\$ 2,836,450	\$ 1,697,328	\$ 9,844,273
Revisions To Balancing Measures						
Restore a portion of the University Neighborhood Enhancement Team (UNET) (Police)	\$ -	\$ (750,000)	\$ (750,000)	\$ (750,000)	\$ (750,000)	\$ (750,000)
Restore the RCC Aquatics Cut (PRCSD)	\$ -	\$ (80,000)	\$ (80,000)	\$ (80,000)	\$ (80,000)	\$ (80,000)
Restore Janet Goske Center Cut (PRCSD)	\$ -	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ (15,000)
Add Raincross Hospitality RCVB Giveback (Non-Departmental)	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Add Community Livability Overtime Elimination (Police)	\$ -	\$ 823,680	\$ 823,680	\$ 823,680	\$ 823,680	\$ 823,680
Add Community Livability Program Reduction (City Attorney)	\$ -	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Add Net Savings from insourcing of Innovation and Technology Staff approved by the City Council on May 17. Updated to Cost Plan, FTEs, etc. will be included in the final budget.	\$ -	\$ 12,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Managed Savings of \$1.5 million for the Police Department will be achieved through elimination of two vacant Detective positions and managing additional vacancies throughout the year.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revised Baseline Surplus / (Deficit) After Amended Balancing Measures as of 5/17/2016	\$ (7,232,258)	\$ 31,313	\$ 2,082,797	\$ 2,937,130	\$ 1,798,008	\$ 9,944,953
Ending General Fund Reserve	\$ 32,853,252	\$ 32,884,565	\$ 34,967,362	\$ 37,201,082	\$ 38,999,090	\$ 48,944,043
% of Baseline Budget (Baseline Less Reductions)	12.5%	12.4%	12.9%	13.2%	13.5%	16.6%

GENERAL FUND

- Significant structural shortfalls are projected for the next five fiscal years in the General Fund, including:
 - \$10.6 million for Fiscal Year 2016-17
 - \$8.5 million for Fiscal Year 2017-18
 - \$7.7 million for Fiscal Year 2018-19
 - \$8.8 million for Fiscal Year 2019-20
 - \$0.6 million for Fiscal Year 2020-21



GENERAL FUND

- \$10.5 million in balancing measures
- If all proposed measures are implemented, budget will be balanced in FY 2016-17, with a \$1.9 million surplus in FY 2017-18. **The surplus will go into the reserves to partially offset the \$7.2 million withdrawal in FY 2015-16.**
- Overall, with the implementation of all of the proposed balancing measures, the General Fund Reserve is projected to gradually replenish from 12% in the first year of the budget to over 16% in the fifth year of the Financial Plan.



9

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ELECTRIC FUND EXPENDITURES

- \$403,912,904 – FY 2016/17
- \$404,120,102 – FY 2017/18



10

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ELECTRIC FUND REVENUES

- Mostly supported by charges for services
 - \$354,806,500 in FY 2016/17
 - \$358,838,900 in FY 2017/18



11

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WATER FUND EXPENDITURES

- \$90,350,689 – FY 2016/17
- \$75,963,995 – FY 2017/18



12

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WATER FUND REVENUES

- Mostly supported by charges for services
 - \$57,516,100 – FY 2016/17
 - \$63,074,300 – FY 2017/18



13

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SEWER FUND EXPENDITURES

- \$76,973,714 – FY 2016/17
- \$73,999,313 – FY 2017/18



14

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SEWER FUND REVENUES

- Mostly supported by charges for services
 - \$61,352,569 – FY 2016/17
 - \$67,800,407 – FY 2017/18
 - Increases in FY 2016/17 and FY 2017/18 of approximately 8.5% are related to an on-going multi-year rate increase



15

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RESPONSES TO COUNCIL QUESTIONS

- Questions from Councilmembers asked at previous budget presentations are including with the agenda report



16

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RECOMMENDATION

That the City Council receive and provide input and direction on the proposed Fiscal Year 2016-2018 Two-Year Budget

Budget Hearing: June 14, 2016

Budget Adoption: June 21, 2016



17

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