

Measure Z Spending Priorities:

*Focus on Public Safety and
Capital/Infrastructure*

Finance Department

Budget Engagement Commission

March 30, 2017

BACKGROUND

- City Council Special Meeting held on January 31, 2017
 - Proposed Measure Z Spending Plan
- BEC Meeting on February 23, 2017
 - Proposed Measure Z Spending Plan
- BEC Meeting on March 9, 2017
 - Updates on public safety, capital/infrastructure and questions from BEC
 - Special Meeting added for March 30, 2017



POTENTIAL CHANGES TO MEASURE Z SPENDING PRIORITIES

1. Quality of life, fiscal responsibility, CalPERS updates, technology, requests from BEC – *March 30*
2. Operating needs and BEC requests– *April 6*
3. City Boards/Commissions – *April 6*
4. Additional BEC request(s) for information and BEC Recommendations– *April 6 and May 4*

** City departments will be in attendance to answer questions*



QUALITY OF LIFE

Street Maintenance

- Proposed Plan: Increase General Fund portion by more than 100%
 - Increase of \$2 million to approximately \$4.3 million annually
 - Improve the City's streets, sidewalks, curbs, and gutters while extending the life of existing public infrastructure
 - Allow 15 additional miles of pavement repair, replacement, preservation, and rehabilitation
- Alternative Options: Proposed to fund 80 miles of street maintenance per year
 - Require a contribution of approximately \$12.2 million annually



QUALITY OF LIFE

Ward Action Teams

- Proposed Plan: Two positions to support the multi-functional Ward Action Teams
 - City Attorney's Office (Approved by City Council in February 2017)
 - City Manager's Office
- Provide solutions to complex problems such as homelessness and vandalism
- No changes recommended to proposed plan



QUALITY OF LIFE

Quality of Life Survey

- Proposed Plan: Funding to continue a biennial Citywide Quality of Life survey
- No changes recommended to proposed plan



QUALITY OF LIFE

- Questions on Quality of Life?



FISCAL RESPONSIBILITY

General Fund Reserve

- On September 6, 2016, the City Council adopted the General Fund Reserve Policy that set the
 - Minimum Reserve of 15%
 - 10% in the Emergency Reserve and
 - 5% in the Contingency Reserve
- “Aspirational” goal of 20% total General Fund Reserves (October 2016)
- Preliminary Second Quarter Financial Report (General Fund)
 - 10.9% or \$29.2 million for FY 2016/17 and
 - 8.6% or \$23.7 million in FY 2017/18
- Original Plan: \$29.2 million over 5 years
- Revised Plan: \$32.3 million over 5 years



FISCAL RESPONSIBILITY

Pension Obligation Bonds

- City had approximately \$150 million in unfunded pension liability
 - 2004: \$90 million in POBs (Safety) were issued (2023)
 - 2005: \$30 million (Misc) of the POBs were issued at a fixed rate (Series A) (2020)
 - \$30 million were issued at a variable rate with “balloon payments” in the final five years of its 20-year term for the debt principal (Series B)
 - 2008: Series B were further restructured into a bond anticipation note (BAN)
 - \$31.1 million remaining unpaid indefinitely as interest only instrument



FISCAL RESPONSIBILITY

Pension Obligation Bonds

- Proposed Plan: Pay off BAN in 10-Years (\$37 million)
- On February 8, 2017, Finance Committee recommended that staff return to the City Council with a 10-year financing tool, utilizing Measure Z
- Staff expects to return to the City Council in April/May 2017
- Revised Plan: Pay off BAN in 10-Years (\$39 million)
 - Measure Z for General Fund Portion only (\$21.5 million)



FISCAL RESPONSIBILITY

Funding Liability Accounts

- City of Riverside is self-insured
- Risk Management (general liability) and Worker's Compensation liabilities are currently funded at 33%
 - The industry standard for self-insured agencies is 100%
- Proposed Plan aims to increase the funding for current liabilities from 33% to 50%
 - \$8 million over 5-years



FISCAL RESPONSIBILITY

- Questions on Fiscal Responsibility?



TECHNOLOGY

Enterprise Resource Planning (ERP) System

- City's existing HR and Finance systems are almost 20 years old
 - Original Plan: \$2 million over first five years (funded)
 - \$ 1 million unfunded over first five years
 - Total General Fund cost estimated to be \$13.2 million over 10-year period



TECHNOLOGY

Cyber Security

- Protect data of citizens, employees and businesses
 - Original Plan: \$750,000 over first five years (funded)
 - \$ 2.9 million unfunded over first five years



TECHNOLOGY

Infrastructure

- Servers, storage, and network equipment
 - Original Plan: \$1 million over first five years (funded)
 - \$ 8.6 million unfunded over first five years



TECHNOLOGY

Additional Unfunded Needs

- Computer Replacement
 - \$5.2 million over first five years
- Staffing
 - \$3.2 million over first five years
- Workorder/Asset Management System Replacement
 - \$3.3 million over first five years



TECHNOLOGY

- Questions on Technology?



CALPERS

- Benefitted City employees receive a defined benefit retirement from the California Public Employees Retirement System (CalPERS)
- Example of Formula:
 - 2.7% @ 55
 - Eligible to retire at 55-years of age
 - Years of service x 2.7% x 3-year highest salary average
 - $20 \times 2.7\% \times \$65,000 = \$35,100$



Total Plan Assets
Less: Long Term Requirements
Equals: Super Funded / (Unfunded Liability)

In December 2016
CalPERS lowered the
estimated investment
earning rate (discount
rate) from 7.5% to 7%

- *Impacts largest source of CalPERS funding*
- *Increases City's Unfunded Actuarial Liability (UAL)*
- *Cost impacts begin in FY 2018-19*

Every dollar paid to CalPERS retirees comes from three sources:

62¢

Investment Earnings

25¢

CalPERS Employers

13¢

CalPERS Members



Source: CalPERS Income over the last 20 years as of June 2016

Unfunded Actuarial Liabilities must be paid over 30 years

- FY 1999/00
 - Super funded - no liability
 - *Misc. 135%*
 - *Safety 114%*
- FY 2014/15
 - *\$464 million liability*
 - *Misc. 79%*
 - *Safety 78%*
- *Unfunded liability expected to increase*
 - *CalPERS investment return of less than 1%*
 - *Discount rate change*



CALPERS

- Preliminary projections show the City's current CalPERS cost of approximately \$64.4 million (\$43.5 million General Fund) doubling over the next eight years
- General Fund impacts of \$16.1 million to \$26 million over the next five years:
 - FY 2016-17: \$0 impact
 - FY 2017-18: \$0 impact
 - FY 2018-19: \$2.2 to \$3.4 million
 - FY 2019-20: \$4.3 to \$7 million
 - FY 2020-21: \$9.6 to \$15.6 million
- Addressed in the next biennial budget (FY 2018-20)
 - May impact services funded by the General Fund
 - Not recommended to be funded by Measure Z



CALPERS

- Questions on CalPERS?



BEC INFORMATION REQUESTS FROM MARCH 9TH

- Capital Investment Projects
 - Main Library, Police Department HQ, & Convention Center
- City Attorney's Office
- Measure Z Information
- Debt Per Capita
- Asset Forfeiture Funds for Police Vehicles
- Fleet Maintenance Costs (Internal vs Outsourcing)



BEC INFORMATION REQUESTS FROM MARCH 9TH

Debt Per Capita

Bonded Debt per capita (Source: CAFR)	\$909
Gross Debt per capita (All Funds)	\$5,908
Debt Service to General Fund Revenue Ratio	13%

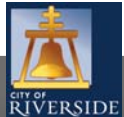
City	General Bonded Debt Per Capita
Anaheim	\$1,463
Fontana	\$214
Moreno Valley	\$299
Ontario	\$407
Rancho Cucamonga	\$0
Riverside	\$909
Santa Ana	\$2,598



BEC INFORMATION REQUESTS FROM MARCH 9TH

Asset Forfeiture Funds

Fiscal Year	Police Vehicle Purchase from Asset Forfeiture Funds	Number of Vehicles Purchased
FY 2003/04	\$0	0
FY 2004/05	\$0	0
FY 2005/06	\$0	0
FY 2006/07	\$0	0
FY 2007/08	\$0	0
FY 2008/09	\$321,576	14
FY 2009/10	\$272,264	12
FY 2010/11	\$388,641	21
FY 2011/12	\$246,673	27
FY 2012/13	\$665,835	28
FY 2013/14	\$545,799	22
FY 2014/15	\$51,501	2
FY 2015/16	\$0	0
FY 2016/17	\$0	0



BEC INFORMATION REQUESTS FROM MARCH 9TH

Fleet Maintenance

Service Description	Insource (City Staff)	Outsource (Private/Vendor/ Contractor)
Labor	<p>\$68 to \$91 per hour</p> <p><i>This is the fully burdened cost, including salary, benefits, and overhead. The range depends on the staff assigned (i.e., equipment service worker, mechanic, senior mechanic, metal shop worker).</i></p>	<ul style="list-style-type: none"> • \$90 to \$100 per hour (light duty) • \$135 to \$150 per hour (heavy duty) <p><i>Based on current vendor rates</i></p>
Parts	<p>Cost plus 42% Markup, with \$250 cap</p> <p><i>Based on current policy, process, and procedures</i></p>	<p>Cost plus 100% Markup, with no cap</p> <p><i>Based on Current vendor rates</i></p>



BEC INFORMATION REQUESTS FROM MARCH 9TH

- Questions on BEC information Requests?



TIMELINE

- March 30, 2017 – BEC Meeting: Measure with a focus on Quality of Life, Fiscal Discipline/Responsibility, Technology, CalPERS and, and prioritizing methodology of the BEC
 - *Departmental representatives from Finance, Police, Public Works, General Services, Library, Information and Technology, City Attorney's Office, and City Manager's Office will be present to answer departmental specific questions*
- April 6, 2017 – BEC Meeting: Second Quarter Financial Report (FY 2016/17), Critical Operating Needs including updates on the CalPERS retirement costs, reports from City Commissions, and discussion of the BEC's recommendations to City Council.
 - *Departmental representatives from Finance, Police, Fire, Public Works, General Services, Innovation and Technology, City Attorney's Office, and City Manager's Office will be present to answer departmental specific questions*
 - *Additional departments will be asked to attend based on questions and inquiries from the March 30, 2017 BEC meeting*
 - *To the extent possible, a representative from each City Board/Commission will be on hand to provide input and answer questions about their recommendations*
- April 11, 2017 – City Council Meeting: Second Quarter Financial Report (FY 2016/17). The BEC Chair may present verbal remarks to the City Council as part of the Finance Department's presentation of the Second Quarter Financial Report



TIMELINE

- May 4, 2017 – BEC Meeting: Riverside 2.0 Goals and Performance Measures, and BEC recommendations on the Measure Z Spending Plan
 - *Questions and inquiries from the BEC on March 9, 30, and April 6, will determine the City departments that will attend to answer departmental specific questions*
- **May 9, 2017 –City Council: Measure Z Recommendations**
 - *All City departments will be available for questions from the City Council and BEC.*
- May 25, 2017 – BEC Meeting: Optional regular meeting to discuss items within the purview of the BEC
- June 8, 2017 – BEC Meeting: Third Quarter financial report (FY 2016/17), FY 2017/18 Mid-Cycle proposed adjustments, and updates to the five-year financial plan
- **June 13, 2017 – City Council Meeting: Third Quarter financial report (FY 2016/17), FY 2017/18 Mid-Cycle proposed adjustments, and updates to the five-year financial plan**



RECOMMENDATIONS

That the BEC receive and provide input on the proposed five-year spending plan for Measure Z, in the following categories: quality of life, fiscal responsibility, technology, and follow-up information from the March 9, 2017 BEC meeting

