

# Measure Z Spending Priorities:

*Focus on Operating Needs and FY  
2016/17 Second Quarter Financial Report*

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## Finance Department

Budget Engagement Commission

April 6, 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 Meetings on March 9 and March 30, 2017
  - Updates on public safety, capital/infrastructure, technology, fiscal responsibility, quality of life, CalPERS and questions from BEC



# POTENTIAL CHANGES TO MEASURE Z SPENDING PRIORITIES

1. Operating needs, 2<sup>nd</sup> Quarter Budget Update and BEC requests– *April 6*
2. City Boards/Commissions – *April 6*
3. Additional BEC request(s) for information and BEC Recommendations– *April 6 and May 4*

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



# CRITICAL OPERATING NEEDS

## Funding Gap for Existing Services: General Fund

- Proposed Plan: \$45.3 million over first five years
- Revised Plan: \$48.2 million over first five years
  - Continued revenue weakness in the City's key revenues sources (primarily sales tax and utility users tax)
  - Unless addressed with Measure Z revenues, would lead to service reductions



# CRITICAL OPERATING NEEDS

## Principal Analyst: City Manager's Office

- Proposed Plan: \$165,000 per year with annual increases
  - City Manager's Office eliminated two Principal Analyst positions budget previous budget process
  - No proposed changes



# CRITICAL OPERATING NEEDS

## BEC Support: Finance Department

- Proposed Plan: \$27,000/year
  - Office supplies, printing costs, and other meeting related expenses
  - No proposed changes



# CRITICAL OPERATING NEEDS

## Contingency Replacement

- Proposed Plan: \$500,000/year
  - The FY 2016-18 Two-Year budget initially contained \$500,000 in annual contingency funding
  - Address critical needs during each fiscal year
  - The funding has been almost completely used, mainly to create a formal Budget Office



# CRITICAL OPERATING NEEDS

- Questions on Critical Operating Needs?





## 2<sup>ND</sup> QUARTER BUDGET UPDATE

- Presentation to City Council on April 11, 2017
- General Fund Two-Year Budget
  - From 1<sup>st</sup> Quarter - shortfalls have grown by approximately \$500,000
    - \$3.9 million in FY 2016/17
    - \$5.5 million in FY 2017/18



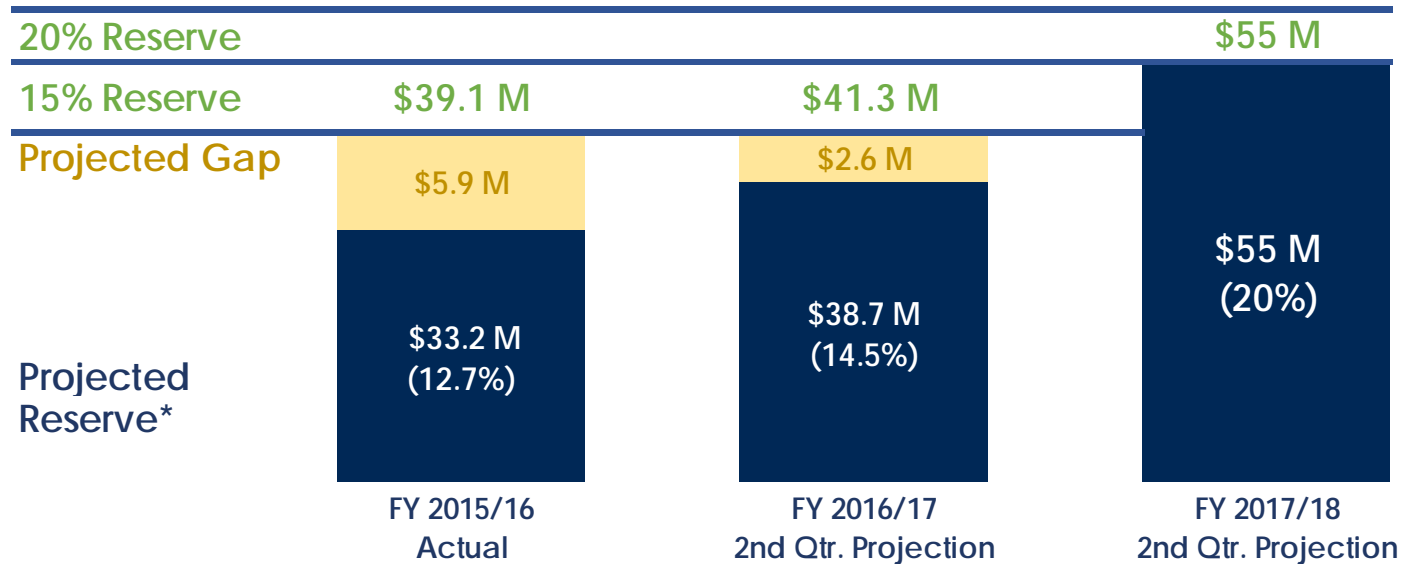
## Factors Contributing to Projected Shortfall (2nd Quarter)

	FY 2016-17	FY 2017-18
<b>Adopted Surplus</b>	\$ 26,530	\$ 2,078,014
Union Contracts	\$ (819,081)	\$ (3,396,309)
Lower Revenues	\$ (2,894,976)	\$ (3,964,110)
Insufficient Funds for Parks Debt	\$ (600,000)	\$ (600,000)
Transfers for Sewer Claims	\$ 900,000	\$ 900,000
Other	\$ (52,004)	
Fire Department Maintenance	\$ (500,000)	\$ (500,000)
<b>Estimated Shortfall</b>	<b>\$ (3,939,531)</b>	<b>\$ (5,482,405)</b>
Management Action*	\$ 3,939,531	\$ 5,482,405
<b>Net General Fund Surplus/Deficit</b>	<b>\$ -</b>	<b>\$ -</b>

\* Staff has recommended the use of Measure Z funds to cover the General Fund shortfalls in FY 2016/17 and FY 2017/18. Alternative options to using Measure Z funds include elimination of carryovers and expenditure reductions that limit service impact to the extent possible (e.g. spending freeze and holding positions vacant).



## General Fund Reserve Outlook (Based On Second Quarter Projections)



*\*With staff's recommendation to utilize Measure Z funding to eliminate the General Fund deficit and increase reserves, the General Fund reserve will meet the City Council's Responsible Spending Pledge "aspirational" goal of 20% by FY 17/18. Without Measure Z or alternative management action, the Second Quarter projected deficit would decrease the General Fund reserve to 10.9% (\$29.2 million) in FY 16/17 and 8.6% (\$23.7 million) in FY 17/18.*



## 2<sup>ND</sup> QUARTER BUDGET UPDATE

- Questions on 2<sup>nd</sup> Quarter Budget Update?



# BEC INFORMATION REQUESTS FROM MARCH 30TH

- One week between meetings
  - Required timelines for posting agendas and related materials
  - Verbal Update, to the extent possible



# BEC INFORMATION REQUESTS FROM MARCH 30TH

- Questions on BEC information Requests?



# DEVELOPMENT OF BEC RECOMMENDATION

## DEVELOPMENT OF BEC RECOMMENDATIONS

- Process begins during Item 7 of April 6<sup>th</sup> Agenda
- Original Proposal included \$219.2 million over 5 years
  - Previous 4 meetings have added \$78 million in alternatives and recommended changes (5 years)
- Staff developed a planning tool for use by the BEC
  - Select from original plan, recommended changes, alternatives, new items
  - Review estimated costs each year and over 20 years



# TIMELINE

- 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**



# RECOMMENDATION

That the Budget Engagement Commission develop recommendations to the City Council on the Proposed Five-Year Spending Plan for Measure Z, for the May 9, 2017 City Council meeting

