

General Fund and Measure Z FY 2018-2020 Two-Year Budget and FY 2018-2023 Five-Year Plan

Finance Department

City Council
January 16, 2018

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BACKGROUND

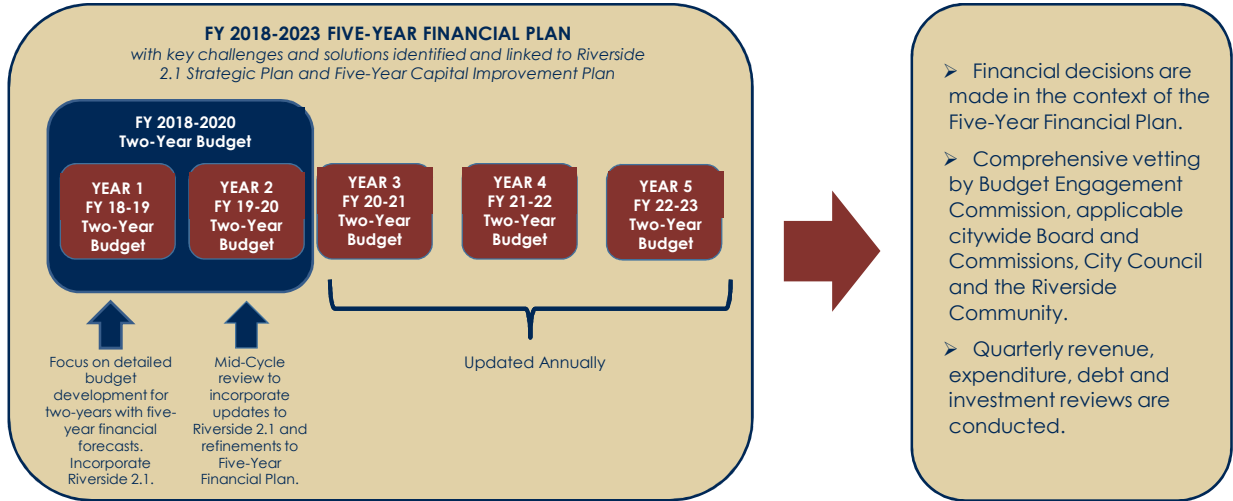
1. December 2015 – City Council approved the move to a two-year budget in the context of a five-year plan.
2. September 2017 – staff began planning for the FY 2018-2020 Two-Year Budget and FY 2018-2023 Five-Year Plan.
3. June 2018 – adoption of the Citywide FY 2018-2020 Two-Year Budget and General Fund FY 2018-2023 Five-Year Plan are anticipated.



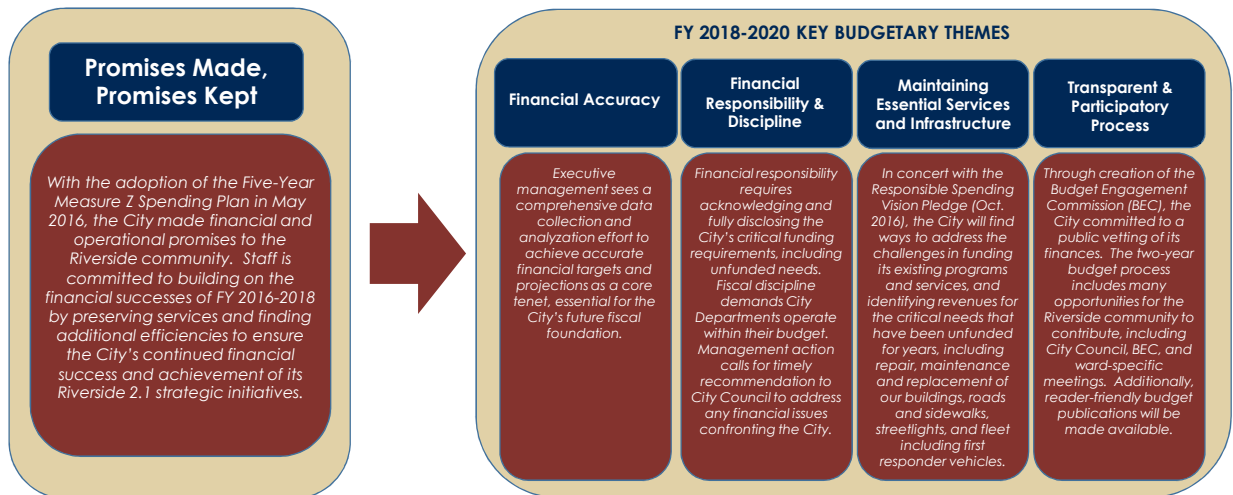
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PLANNING PROCESS



FY 2018-2020 BUDGET THEMES



STRONG FOUNDATION

STRONG FINANCIAL FOUNDATION

- Measure Z
- FY 2016-2018 budget reductions
- Budget Engagement Commission
- Two-year budget and five-year plan

- General obligation bond rating increased from A+ to AA- by S&P
- FY 2017-2018 projected General Fund reserve of more than 20%



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BOTTOM LINE

- *Flattening of Revenues*
 - Annualized growth rate in core revenue sources continuing to slow ; 1.5% - 2% as compared to 7% from FY 2013-14 to FY 2014-15
- *Measure Z Contribution*
 - In FY 2017-18, \$20.5M to General Fund. Staff anticipates contributions of \$13.2M in FY 2018-19 and \$18.3M in FY 2019-20
- *Personnel Costs*
 - More than 80% of total expenditures, consistent with other full-service cities
 - Increasing CalPERS costs
- *Managed Savings*
 - Implementing permanent reductions will eliminate the majority of projected shortfalls in the FY 2018-2020 Two-Year Budget
- *General Fund Subsidies*
 - Street Lighting Assessment District, crossing guard contract, and others

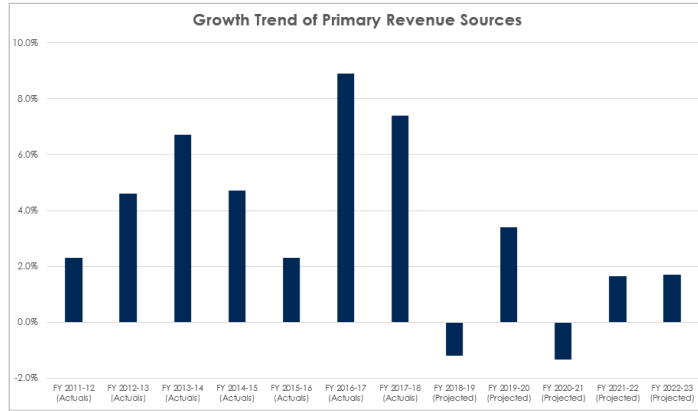


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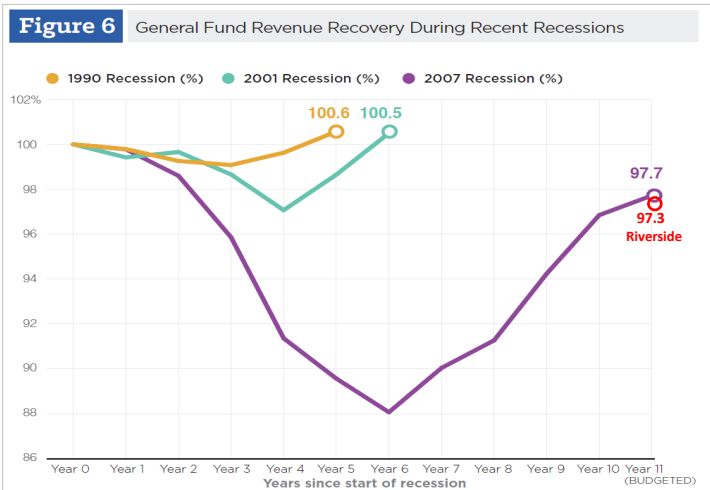
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BASELINE ASSUMPTIONS - REVENUES

- Sales Tax
 - Slowing; 2% FY 2018-19, 1.5% FY 2019-20
- Property Tax
 - Growing; 3.7% per year projected for FY 2018-20
- Utility User Tax
 - Flat since FY 2012-13
- General Fund Transfer
 - Measure Z
 - Electric & water
- Other Revenues
 - Mostly flat



HOW DOES RIVERSIDE COMPARE?



- Riverside revenue recovery at just 97.3% of pre-recession levels, in line with other cities
- Continued economic uncertainty
- Slowing revenues in post-recession period

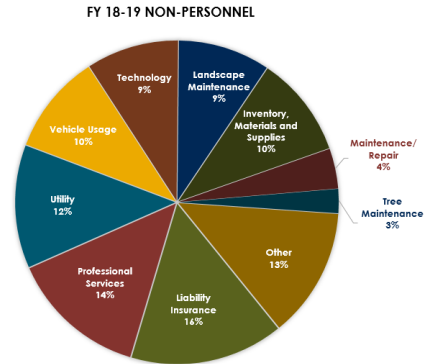
"The drastic economic and technological changes occurring in the most recent recovery period, as well over the past 30 years, point to the imperative to re-examine the field's conventional thinking about the ability of city finances to buffer against economic downturns and to capture revenue growth during periods of economic expansion."

- National League of Cities 2017 "City Fiscal Conditions"



BASELINE ASSUMPTIONS - EXPENDITURES

- Personnel
 - Partnership Compensation Model
 - CalPERS
- Non-Personnel
 - Increases based on historical CPI
- Debt Service
 - FY 2016-17 BAN refinancing reduced General Fund debt
- Charges and Transfers
 - New Cost Allocation Plan
- Subsidies

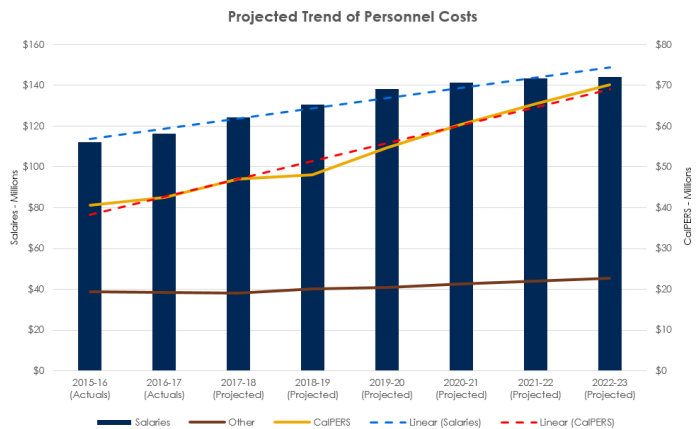


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PERSONNEL COSTS

- 7% annual increase in Personnel costs per year Fiscal Years 2018-2023
- CalPERS largest cost driver, outpacing salaries
- Partnership Compensation Model ties pay raises for most represented employees to core revenue sources

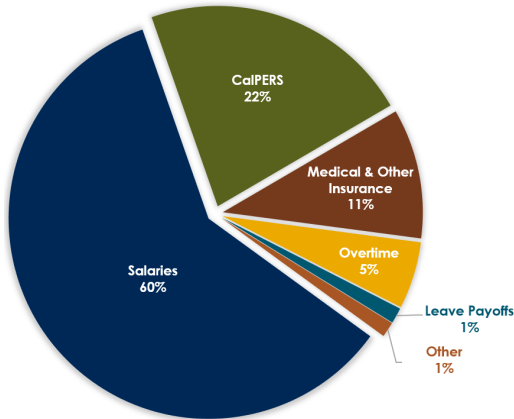


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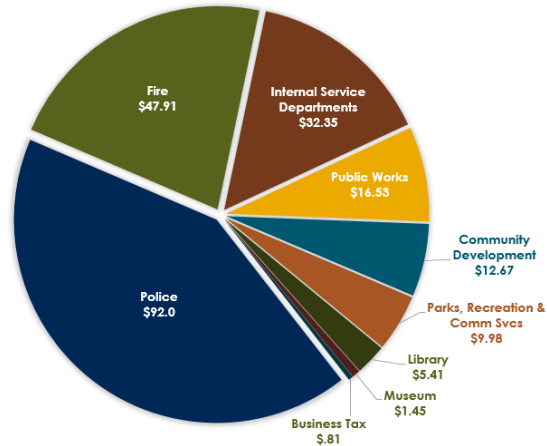
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PERSONNEL COSTS

FY 2018-19 PERSONNEL



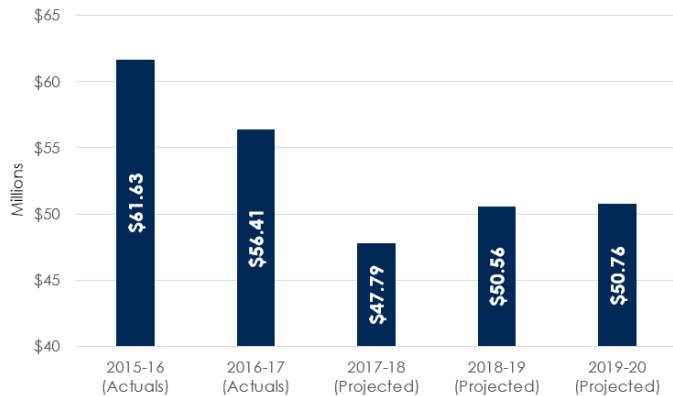
FY 2018-19 PERSONNEL BY DEPARTMENT



NON-PERSONNEL COSTS

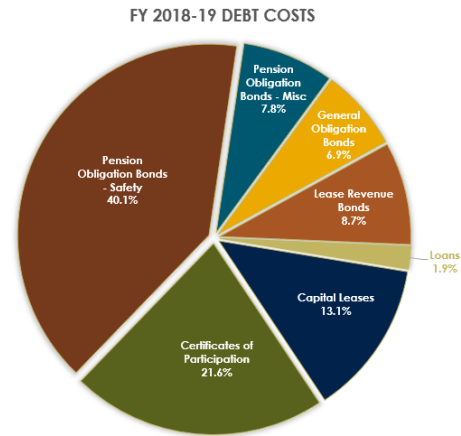
- Lower than prior years
 - Cost savings efforts
 - Staff recommends permanent implementation of costs reductions achieved in prior years through "managed savings"
 - Increase from FY 2017-18 largely due to contributions to Self-Insurance Fund
- Discretionary vs. non-discretionary
 - Review existing contracts

Non-Personnel Costs



OTHER EXPENDITURES

- *Special Projects*
 - 3% - approximately \$8 million per year
- *Minor Capital*
 - <1% - approximately \$2 million per year
- *Equipment*
 - <1% - \$400,000 per year
- *Debt*
 - \$24.4 million in FY 2018-19
 - \$23.2 million in FY 2019-20



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CHARGES AND TRANSFERS

Charges To/From

- Cost Allocation Plan (CAP) revamped
 - Comprehensive review and update of allocation bases
 - General Fund restructuring
 - Some direct charges moved to CAP
- Change to General Fund
 - FY 2018-19 \$7 million additional allocations to others
 - FY 2019-20 \$462K additional allocations to others (in line with cost increases)

Transfers

- Special Districts
 - Street Lighting Assessment District
- Entertainment Funds
 - Convention Center, Municipal Auditorium, Fox, etc.
 - Have traditionally required General Fund subsidies when revenues fall short of operating expenditures

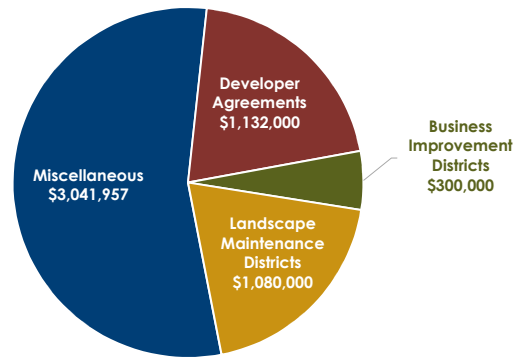


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GENERAL FUND SUBSIDIES

- Contractual Agreements
 - Crossing guards for school districts
 - RCC Pool Maintenance
- Economic Development
 - Developer Agreements
- Charter Requirement
 - Commission support
- Special Assessment Districts
 - Business Improvement, Landscape
- Community Support
 - Art Organizations
 - Janet Goekse Center
- Special Events
 - Festival of Lights

General Fund subsidies total more than \$5 million annually

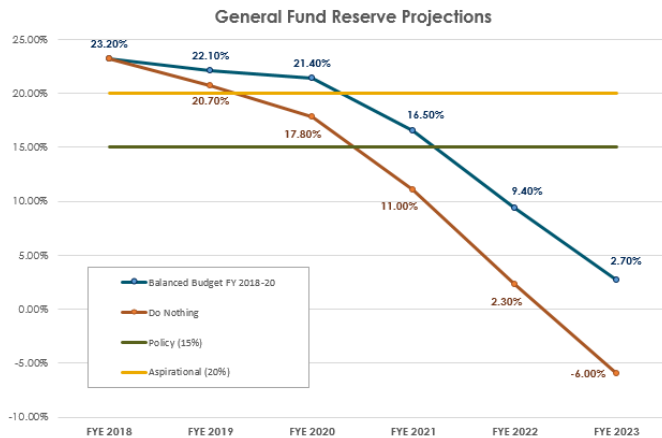


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GENERAL FUND RESERVE

- September 6, 2016 adoption of General Fund Reserve Policy
 - 15% minimum reserve level
 - 20% aspirational goal
- **Staff recommends balanced FY 2018-20 Two-Year Budget, designed to maintain the aspirational 20% reserve goal for both FY 2018-19 and 2019-20.**
- If we do nothing
 - FY 2018-19 & 2019-20 will maintain reserve levels above the policy requirement of 15%
 - Reserves will be depleted in FY 2022-23



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MEASURE Z BASELINE

- May 16, 2017 - City Council approval of Five-Year Spending Plan
 - Estimated Revenues of \$51.5 million
 - Estimated Expenditures of \$47.2 million
- Updated Plan incorporates Council Action taken since initial adoption
- Revenue projection remains unchanged
- Funding for existing Spending Items extended through FY 2022-23, pending input from the Budget Engagement Commission and Council direction throughout the budget preparation period.
 - Staffing levels remain unchanged
 - Personnel increases (Partnership Compensation Model, CalPERS) are included
- Projected reserves of \$14.3M FY 2018-19 and 11.2M FY 2019-20



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MEASURE Z BASELINE

Measure Z Updated 5-Year Spending Plan - Baseline Budget

Spending Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	5-Year Projection
Financial Discipline/Responsibili	5,173,554	2,674,489	1,674,489	1,674,478	1,673,062	12,870,072
Public Safety	14,369,254	18,473,489	21,449,855	22,676,696	23,240,317	100,209,612
Critical Operating Needs	15,438,873	20,474,939	12,452,285	12,814,864	13,187,480	74,368,441
Facility Capital Needs	3,954,500	7,751,500	9,583,925	11,034,438	11,034,440	43,358,803
Quality of Life	4,284,500	4,304,975	4,326,474	4,349,047	4,372,750	21,637,746
Technology	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000	8,000,000
Totals	45,220,681	55,679,392	51,487,028	53,549,523	54,508,049	260,444,673
Projected Revenue	52,072,570	52,593,296	53,119,229	53,650,421	54,186,925	265,622,441
Net Revenue/Expenditures	6,851,889	(3,086,096)	1,632,201	100,898	(321,124)	5,177,768
Projected Reserves¹	14,334,296	11,248,200	12,880,401	12,981,299	12,660,175	12,660,175

¹ Includes June 20, 1028 Projected reserves of \$7,482,407

- Financial Discipline
 - No Measure Z support requested for General Fund reserves
 - Staff recommends including a \$1 million Contingency for each of FY 2018-19 and FY 2019-20
- Public Safety
 - Debt service updated to actual
- Critical Operating Needs
 - Funding GAP per General Fund Five-Year Financial Plan
- Facility Capital Needs
 - Incorporated Council action related to New Main Library, Police Headquarters, and Museum Refurbishment projects
- Quality of Life – no change
- Technology
 - Extended through FY 2022-23



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BUDGET TIMELINE

- **January:** Baseline budget projections presented to City Council and the Budget Engagement Commission
- **February:** Community Budget Workshops
- **March:** Five-Year Plans for Electric, Water & Sewer presented to City Council and the Budget Engagement Commission
- **May:** Proposed FY 2016-2018 Biennial Budget presented to City Council in May
- **June:** Final budget, submitted for City Council adoption



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RECOMMENDATION

That the City Council receive and provide input on the baseline FY 2018-2020 Two-Year Budget, baseline FY 2018-2023 Five-Year Plan for the General Fund and Measure Z, and Budget Development Schedule.



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