



# Budget Engagement Commission

*City of Arts & Innovation*

**TO: HONORABLE COMMISSIONERS** **DATE: MARCH 15, 2018**  
**FROM: FINANCE DEPARTMENT** **WARD: ALL**  
**SUBJECT: FISCAL YEAR 2017-18 SECOND QUARTER FINANCIAL REPORT AND MEASURE Z UPDATE**

## **ISSUE:**

Receive and provide input on the Fiscal Year 2017-18 Second Quarter Report and Measure Z Update.

## **RECOMMENDATIONS:**

That the Budget Engagement Commission (BEC) receive and provide input on the Fiscal Year 2017-18 Second Quarter Report and Measure Z Update.

## **BACKGROUND:**

On November 30, 2017, the BEC received the draft fiscal year 2017-18 First Quarter Financial Report for the General Fund and Measure Z. The year-end projections at that time were similar to the FY 2017-18 Mid-Cycle Amended Budget. The FY 2017-18 Second Quarter Financial Report, based on actual revenues and expenditures for July 1, 2107 through December 31, 2017, supports the first quarter projections. The FY 2017-18 ending General Fund Reserve is currently projected to be approximately \$59.3 million or 23.3%. The estimated \$5 million above the 20% reserve requirement for FY 2018-19 will be recommended for seed funding to help address growing CalPERS expenses.

## **DISCUSSION:**

### **General Fund Financial Analysis**

This Second Quarter Financial Report for FY 2017-18 provides an update on the revenues and expenditures based on actuals from July 1, 2017 through December 31, 2017 (Attachment A). **The FY 2017-18 Second Quarter analysis projects the City to be in a surplus position by year-end of approximately \$2.6 million.** The surplus of \$2.6 million is generally attributable to cost sharing on the 2017A pension obligation bond (POB) with Measure Z and departmental expenditure savings.

### **General Fund Revenues**

An analysis of revenues through the second quarter ending December 31, 2017, shows a continuation of first quarter trends. Compared to the Mid-Cycle budget, a decrease in estimated sales tax (\$1.56 million), franchise fees (\$600,000), and license/permits (\$400,000) are offset by

higher than anticipated property tax (\$750,000), fines/forfeitures (\$630,000), and recovery of sewer fund related claim expenditures (\$900,000).

### **General Fund Expenditures**

Compared to the FY 2017-18 First Quarter Financial projections, the Second Quarter General Fund expenditures are \$250,000 lower (Attachment A-4). The positive difference is due to savings of \$250,000 in Community and Economic Development resulting from vacancies. Compared to the Mid-Cycle budget, savings in the Office of the City Attorney (\$400,000), Community and Economic Development (\$250,000), General Services (\$275,000), and Public Works (\$500,000) are partially offset by an expected deficit in Fire (-\$750,000). Additional savings of \$2 million are projected for debt service payments originally budgeted for Pension Obligation Bond debt, now paid for by Measure Z.

### **Measure Z**

The collection of the additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. The City began receiving these revenues in May-June 2017, with the anticipated collection of \$51.5 million in FY 2017-2018. After hearing recommended Measure Z spending options from City staff and the Budget Engagement Commission (BEC), on May 16, 2017, the City Council approved the Measure Z Spending Plan, which appropriated \$47.2 million in FY 2017-18 for 33 initiatives covering public safety, financial discipline/responsibility, critical operating needs, facility capital needs, quality of life, and technology. To date, staff projects savings of approximately \$560,000 (A-5). Attachment D includes a detailed update on the implementation status of the Measure Z initiatives.

Differences between the FY 2017-18 First Quarter projection and FY 2017-18 Second Quarter projection are explained below.

- *Spending Contingency:* On December 19, 2017, the City Council approved the allocation of Contingency Funds for FY 2017/18 and FY 2018/19 for Archives for the New Main Library project.
- *Police Vehicle Replacement/Maintenance:* Due to the success of the vehicle refurbishment program, financing of the vehicles was deemed unnecessary, resulting in approximately \$690,000 savings in FY 2017-18. On November 17, 2017, City Council approved an amendment to the Measure Z Spending Plan to reallocate approximately \$383,000 of the savings from the vehicle replacement account to help fund the purchase of a fixed wing aircraft.

### **FY 2018-2020 Two-Year Budget and Five-Year Plan**

Staff is committed to preserving services and finding additional efficiencies to ensure the City's continued financial success and achievement of its Riverside 2.1 strategic initiatives. While the City has made great financial strides in FY 2016-17 and through the second quarter of FY 2017-18, a changing economy and increasing CalPERS costs will pose challenges in future years.

The City Manager's Office and Finance Department presented the baseline FY 2018-2023 Five-Year Plan to the BEC on January 24, 2018. This presentation was followed by additional public meetings with the BEC (January 30, 31 and February 22), and Ward specific community budget workshops in February 2018. A webpage for the FY 2018-2020 Two-Year Budget process has been added to the City's website ([www.RiversideCA.gov/Budget](http://www.RiversideCA.gov/Budget)); this webpage provides information on the budget and future fiscal challenges and encourages public participation in the

budgetary process.

### **FISCAL IMPACT:**

The City of Riverside continues to make tremendous fiscal progress. The new financial foundation for the City has resulted in estimated FY 2017-18 financial results that leave the City with a General Fund Reserve of \$59.3 million (23.3%). Further, Measure Z revenue and expenditure projections are materially on target with the Five-Year Spending Plan adopted by the City Council in May 2017, with a projected savings of approximately \$560,000. The projections and initiatives funded through Measure Z are making an impact on the safety and quality of life for the Riverside community.

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#### Attachments:

- A. FY 2017-18 Second Quarter Financial Report
- B. Measure Z Status – Tracking Measures and Targets
- C. Presentation