



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 18, 2019

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: PUBLIC HEARING; RESOLUTION – FISCAL YEAR 2019-2020 AMENDED BUDGET; RESOLUTION – MASTER FEES AND CHARGES SCHEDULE; DELEGATION OF INVESTMENT AUTHORITY

ISSUES:

Conduct a public hearing on the proposed update to Year Two of the adopted Fiscal Year (FY) 2018-2020 Two-Year Budget; adopt a resolution approving the amended FY 2019/20 Budget; adopt a resolution approving the Master Fees and Charges Schedule; and delegate investment authority to the Chief Financial Officer/Treasurer for a period of one year.

RECOMMENDATIONS:

That the City Council:

1. Conduct a public hearing on the City of Riverside's Proposed FY 2019/20 Amended Budget and Amended 2019-2024 Five-Year Capital Improvement Plan;
2. Adopt a resolution approving the Amended FY 2019/20 Budget and Amended 2019-2024 Five-Year Capital Improvement Plan for the City of Riverside totaling \$1,129,736,361 across all funds as amended by the budget adjustments reflected in Attachment 2;
3. Adopt a resolution approving the amended Master Fees and Charges, including updated fees and charges of Library and Public Works Departments, and authorize the Chief Financial Officer/Treasurer to make any minor non-substantive changes to the Schedule that do not affect the fees; and
4. Delegate investment responsibility to the City Chief Financial Officer/Treasurer beginning July 1, 2019, through June 30, 2020.

BACKGROUND:

On June 12, 2018, the City Council approved the FY 2018-2020 Two-Year Budget (Budget) and FY 2018-2023 Capital Improvement Plan (CIP). Since budget adoption, financial and operational needs not accommodated by the current adopted budget have been identified and need to be incorporated into the FY 2019-20 Budget to adjust the budget to better reflect program costs for

the benefit of the community.

On April 22, 2019, the Board of Library Trustees received information on the mid-cycle budget update and unanimously voted to recommend that the Library Director request the Budget Engagement Committee and the City council consider the supplemental appropriation in the annual amount of \$122,000 for security guard services at various library locations.

On May 13, 2019, the Public Utilities Board received information and unanimously voted to recommend that the City Council approve the proposed FY 2019-20 budget amendments for the Electric and Water funds.

On May 21, 2019, the City Council received and provided input on proposed adjustments to the FY 2019/20 budget. City Council did not request revisions to the proposed amendments during this City Council meeting.

DISCUSSION:

Proposed FY 2019/20 Amended Budget

The Proposed FY 2019/20 Amended Budget presented to the City Council on May 21, 2019, totaled approximately \$1.13 billion in FY 2019/20 in citywide uses across all funds, with an increase of approximately \$13.9 million over the adopted budget. Of this amount, \$8.7 million is an acceleration of capital projects, with a reallocation of funding from Years 3 through 5 of the adopted CIP to FY 2019/20.

Revenue estimates and planned Use of Bond Proceeds increased \$13.8 million, for a net increase of \$467,000 in citywide fund reserves.

The May 21, 2019, City Council report and presentation included a description of the Cost Allocation Plan (CAP) process and the requirement to recalculate the CAP following the incorporation of Council's feedback in the proposed adjustments. The CAP calculations have been updated and incorporated into the final budget schedules and updated long-term plans (Attachment 2).

General Fund Summary

The proposed major revenue adjustments for the General Fund include:

Item	Amount	Description
Property Tax	3,634,652	Revenue increases annually because of redevelopment and increased property value.
Measure G Fire Bond	(1,739,903)	Restructuring of the General Fund
Transient Occupancy Tax	(433,505)	Hotels currently under renovation resulting in fewer rooms rented.
Charges for Services	(596,141)	Moving CUPA funding for Hazardous Materials and Waste to a new fund as part of General Fund restructuring.
Fines & Forfeits	(641,551)	Reduced Code Enforcement administrative citation revenue.
Miscellaneous	(1,279,537)	One-time revenue receipts such as donations

		and grants are unpredictable and unreliable.
Other Financing Sources	(1,423,000)	The anticipated sale of City property that was not realized.
Operating Transfers In	(332,300)	Decrease in water sales for FY 2018/19 because of a very wet rainy season.

The proposed major expenditure adjustments for the General Fund include:

Item	Amount	Description
City Attorney's Office	75,050	Office space lease expansion approved by the City Council.
Mayor's Office	5,000	Increased travel expenses for regional associations.
Personnel for CEDD	84,876	Provide funding for a position that was inadvertently left out of the FY 2019 Budget.
Operating Expense CUPA	(362,411)	Restructuring of the General Fund.
Measure G Fire Bond Debt Service	(1,725,716)	Restructuring of the General Fund.

Overall, the General Fund adjustments will net to zero:

	FY 2019/20 Adopted	Proposed Adjustments	FY 2019/20 Amended
Revenues	\$280,999,020	\$(1,862,605)	\$279,136,415
Expenditures	282,235,032	(1,862,605)	280,372,427
Surplus/(Deficit)	\$(1,236,012)	\$ -	\$(1,236,012)

The projected surplus in the current Fiscal Year will be able to cushion the deficit projected for FY 2019/20.

The City will continue to face difficulties in the next few years. Budget development for FY 2020/21 and FY 2021/22 will be a critical time to continue to evaluate priority programs and ensure effective and efficient use of General Fund.

The Five Year General Fund Plan Forecast includes updated figures from the June 2018 Five Year Projection based on actual costs, City Council approved supplemental amounts and adjustments throughout FY 2018/2019.

General Fund	Year 1 FY 2018/19 Projected	Year 2 FY 2019/20 Amended	Year 3 FY 2020/21 Projected	Year 4 FY 2021/22 Projected	Year 5 FY 2022/23 Projected
Beginning Reserve	\$ 59,197,900	\$ 60,433,966	\$ 59,197,954	\$ 42,040,754	\$ 19,930,354
Revenues	271,170,217	279,136,415	276,758,200	279,967,100	284,677,000
Expenditures	269,934,151	280,372,427	293,915,400	302,077,500	312,094,900
Surplus/(Deficit)	1,236,066	(1,236,012)	(17,157,200)	(22,110,400)	(27,417,900)
Ending Reserve	\$ 60,433,966	\$ 59,197,954	\$ 42,040,754	\$ 19,930,354	\$ (7,487,546)
% Reserve*	21.9%	21.6%	20.1%	13.9%	6.4%

* Beginning Reserve/Expenditures

Attachment 2, page 32, provides details of the components and assumptions for each of the categories. The Staff monitor these numbers closely, making on-going adjustments when new information becomes available. Information used to make assumptions include stock market

performance, economic forecasts provided by UCR, the City's sales and property tax consultants HdL, development applications and permits filed with the City, employee MOU's, trends and experience. **The General Fund Five Year Forecast does not include any additional funding allocations from Measure Z outside of the adopted budget and approved spending plan which includes planned, but not encumbered expenses.**

Over the past year, staff have been diligently working with the City Management Team, the Budget Engagement Commission, the Finance Committee and City Council to address the deficit gap. The administrative solutions and policy recommendations are consistent with the following:

1. Maintaining a 15% Reserve Balance
2. The CalPERS Challenge purpose "How to Effectively Secure the Solvent Financial Future of the City, Its Employees, & Its Retirees While Ensuring the Delivery of Public Services & Stewardship of Public Resources."

Measure Z Fund Summary

Over the last year, Measure Z sales tax revenues have been performing well. As a result, the proposal is to increase the revenue projection \$3.9 million, from \$55.1 million to \$59 million for FY 2019/20. Throughout the past year, the Budget Engagement Commission and the City Council have received additional requests for funding. These items include:

1. Homeless Plan that adds additional beds and funds an engagement team that will be focused on encampments and other challenges: \$3.5 million
2. Street Pavement Maintenance received additional funding to accelerate project timelines: \$5 million
3. Funding for the Design Phase of the Museum renovation: \$100,000
4. Reserve Policy: \$5 million

Additionally, there is a proposed funding for Library security for \$122,000 annually beginning FY 2019/20.

The table below provides a summary of the Five Year Plan:

Measure Z	Year 1 FY 2016/17 Actual	Year 2 FY 2017/18 Actual	Year 3 FY 2018/19 Projected	Year 4 FY 2019/20 Projected	Year 5 FY 2020/21 Projected
Beginning Balance	\$ -	\$ 2,632,981	\$12,258,553	\$ 7,804,650	\$ 7,765,449
Revenues	12,606,428	56,250,398	58,200,000	59,100,000	59,690,000
Expenditures	9,973,447	46,624,826	57,653,903	59,139,201	55,575,472
Surplus/(Deficit)	2,632,981	9,625,572	546,097	(39,201)	4,114,528
Reserve	-	-	5,000,000	-	-
Ending Balance	\$ 2,632,981	\$ 12,258,553	\$ 7,804,650	\$ 7,765,449	\$ 11,879,977

Attachment 2, page 33, provides details of the components and assumptions for each of the categories.

Enterprise Funds

Listed below are the significant adjustments to each of the major enterprise funds:

Sewer Fund

1. Revenues increased approximately \$890,000 because of commercial and residential charges.
2. Expenditures decrease by approximately \$6.7 million because of the refinancing of the 2009 Sewer Bonds and a repayment from the Water Fund for recycled water system improvements paid up front by the Sewer Fund.

Refuse Fund

1. Revenues increased approximately \$2.5 million because of a rate increase approved by the City Council on December 28, 2018.
2. Expenditure increase by approximately \$600,000 mainly due to the increase in landfill disposal fees.

Public Parking Fund

1. Revenues increased approximately \$360,000 because the sale of Garage 3 is no longer planned and the budget was originally adopted without the revenue generated by parking from this facility.
2. Expenditure increase by approximately \$600,000 mainly due to the increase in landfill disposal fees.

Electric Fund

1. Revenues decreased approximately \$3.3 million because of less carbon and renewable energy credits available to auction off for revenue.
2. Expenditure increase by approximately \$7.3 million mainly due to increased transmission costs with CAISO, market prices on natural gas and the replacement of 4 leased vehicles.
3. Increase use of reserves in the amount of \$10.5 million for a total of approximately \$37.3 million.

Water Fund

Expenditure increase by approximately \$7.8 million for the following items:

1. To start capital projects on distribution facilities, main line replacements, and pump station replacements. This is moving projects planned in Years 3-5 of the Five Year CIP up to be completed sooner because of the current condition of the infrastructure (\$6.4 million).
2. Conduct 7 studies and plans that address water supply availability and quality (\$1.35 million).

Master Fees and Charges

Riverside Municipal Code Chapter 3.30 Section 3.30.040 requires that “The City Council shall, at least annually in conjunction with the City annual budget process, receive at a regularly scheduled meeting oral and written presentations concerning fees and charges proposed to be decreased, increased or deleted.” The Master Fees and Charges (Exhibit “A” to the Attachment 2 - Resolution) provides an update to fees and charges that have already adopted by the City Council throughout the year.

FISCAL IMPACT:

The City's Proposed FY 2019/20 Amended Budget totals \$1.13 billion, an increase of approximately \$13 million as compared to the budget adopted by City Council on June 12, 2018. The Citywide additional appropriations of \$13.3 million are offset by revenue increases of \$8.7 million across all City funds and additional use of bond proceeds by the Water Fund of \$5.1 million. There is no net impact to the General Fund as a result of the recommended budget adjustments.

Summary of FY 2019/20 Expenditure Adjustments				
Fund	Adopted Budget	Proposed Adjustments	Amended Budget	% Amended
General Fund	\$ 282,235,032	\$ (1,862,605)	\$ 280,372,427	(0.7%)
Measure Z Operating	57,528,914	1,610,287	59,139,201	2.8%
Grants and Restricted Programs	-	584,701	584,701	100.0%
Debt Service Fund	1,763,176	1,727,716	3,490,892	98.0%
Measure Z - Capital	4,628,198	1,676,888	6,305,086	36.2%
Electric	449,005,362	7,589,574	456,594,936	1.7%
Water	94,186,907	7,862,884	102,049,791	8.3%
Refuse	26,191,876	623,495	26,815,371	2.4%
Sewer	71,555,155	(6,565,844)	64,989,311	(9.2%)
Public Parking	6,833,697	(23,168)	6,810,529	(0.3%)
Workers' Compensation Trust	6,732,634	402,580	7,135,214	6.0%
Other City Funds	115,232,061	216,841	115,448,902	0.2%
Total	\$ 1,115,893,012	\$ 13,843,349	\$ 1,129,736,361	1.2%

Prepared by: Kristie Thomas, Budget Manager
 Certified as to
 availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
 Approved by: Carlie Myers, Deputy City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Budget Resolution
2. Updated Budget Schedules
3. Fees and Charges Resolution
 - a. Exhibit A
4. Board of Library Trustees Minutes 042219
5. Public Utilities Board Draft Minutes 051319
6. Notice of Public Hearing
7. Presentation