



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: DECEMBER 12, 2019**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
**SUBJECT: DISCUSSION AND CONSIDERATION OF THE CURRENT MEASURE Z FIVE
YEAR SPENDING PLAN**

ISSUES:

Review the Measure Z Five Year Spending Plan and discuss potential modifications to the Measure Z Five Year Spending Plan.

RECOMMENDATIONS:

That the Budget Engagement Commission:

1. Review the Measure Z Five Year Spending Plan;
2. Discuss any potential modifications to the Measure Z Five Year Spending Plan; and
3. Potentially recommend that City Council modify the Measure Z Fire Year Spending Plan.

BACKGROUND:

On September 12, 2019, the Budget Engagement Commission (BEC) received a review of the adopted Measure Z Five Year Spending Plan, expenditures, commitments, and priorities in the context of the CalPERS Challenge. The discussion concluded with a request from the Budget Engagement Commissioners to receive updated information on current Measure Z Spending Plan items (Attachment 1).

On October 10, 2019, the Budget Engagement Commission received a detailed update from impacted departments on the following items specifically requested below:

Spending Item	Department	Description
20	City Manager	Homeless Services
25	Police/General Services	New Police Headquarters
26	Museum	Museum Expansion & Rehab
27	Public Works	Downtown Parking Garage
29	Public Works	Maximize Roads/Streets
31	City Attorney	Ward Action Team – Deputy City Attorney

32	City Manager	Ward Action Team – Principal Management Analyst
33	Innovation & Technology	Technology Improvements
39	City Manager	Public Safety & Engagement Team Program

In addition to the 9 spending items discussed at the October 10, 2019 BEC meeting an additional request from the Commission to discuss the following item has been added:

Spending Item	Department	Description
7	Police	Police Officer Incentives & Recruitment Costs

DISCUSSION:

Recognizing the fiscal challenges facing the City, the BEC has taken a thoughtful approach to addressing pending General Fund budget deficits by carefully reviewing and questioning the priorities in the Measure Z five-year spending plan in the context of the CalPERS challenge. Understanding that difficult decisions must be made, the BEC has requested further discussion on the items listed in the context of recommending to Council a potential deferral or indefinite hold on certain projects all together with an option to reallocate Measure Z funds to the General Fund given impending fiscal deficits.

Much has been accomplished with the funds accumulated from the Measure Z tax since inception in 2017. Approximately \$126 million in tax revenue has been received through fiscal 2018/19 and approximately \$87 million of that has been spent or encumbered on projects considered a priority of the BEC, City Council and the citizens of Riverside. Careful consideration has been given to these items previously recommended by the BEC and approved by Council. Considering the fiscal challenges facing the City's General Fund additional consideration needs to be given once again regarding the priorities of certain spending items in contrast to the needs of the General Fund as it faces significant challenges now and into the foreseeable future.

Several of the larger spending items (spending item #s 25-27) are incorporated into the spending plan as debt service meaning that the City will eventually pay more than the cost of construction if the projects were to be funded as intended in the spending plan. There exists an opportunity to defer or place on indefinite hold some of these projects without impacting Measure Z available fund balance as well as employing the pay go approach to project funding which could save millions of dollars in debt service costs. These projects have already been adopted as part of the spending plan and incorporated into projected available fund balance. Currently, the Measure Z fund balance is projected to end fiscal 2019/20 at approximately \$11 million projected to increase to approximately \$23 million by fiscal 2022/23 excluding the \$5 million reserve. See attachment 1. Deferring these projects and reallocating the spending items to the General Fund will help bridge the deficit gap and emphasizes the importance of the solvency of the General Fund in the wake of the fiscal challenges it is facing.

By reallocating and deferring the spending items noted in attachment 2, the City will still face financial challenges; however, the magnitude of those challenges will not be nearly as insurmountable or require significant reductions in services if not for Measure Z contributions. In addition, deferring certain spending plan line items does not change the projected available Measure Z fund balance as noted in attachment 1. These expenses are already accounted for in Measure Z available fund balance.

By deferring several of the construction projects, the City can build up Measure Z fund balance to begin the pay go approach to either refurbishing the current police headquarters site at a cost of

approximately \$15 million or investing in a new state of the art facility. Regardless, given all that needs to be completed before construction can begin on the headquarters funds will not be needed for at least 3-4 years. Deferring the project and reallocating the funds makes fiscal sense. See attachment 2.

As it relates to the downtown parking garage, additional discussion needs to be conducted to discuss the long-term plans of the parking fund with privatization of parking a potential option. Arguably, the City forgoes lost revenue by maintaining the parking rates at a max \$8 per day with free parking after 5pm and before 5 pm on weekends. The parking fund, as an enterprise fund, is barely at a break-even point and in years past has been subsidized by the general fund. It is estimated that the parking fund could generate anywhere from \$400,000 - \$800,000 a year annually in revenue by modifying the grace period for free parking or slightly increasing daily rates for garages and parking meters. The additional revenue can be used to enhance and automate the current City parking facilities directly from parking fund resources rather than Measure Z funding.

In addition to the spending items that the BEC has previously discussed, two new spending items require BEC consideration. Spending item #4 Measure Z Contingency, which is included in the spending plan at \$2 million per year for the next four fiscal years can be allocated to the General Fund as Measure Z currently has sufficiently available fund balance. The contingency is not needed. Additionally, spending item #5 Additional Sworn Police Officers calls for 60 new police officers by the end of fiscal 2020/21. As of September 30, 2019, the City has hired 37 of the 60 police officers requested in the spending plan. By halting the hiring of the remaining 22 positions, Measure Z will save approximately \$3 million per year. These funds can be reallocated to the General Fund as noted in attachment 2. The impact is significant to the solvency of the General Fund.

FISCAL IMPACT:

There is no fiscal impact associated with the receipt of the information included in this report. Any fiscal impact resulting from potential changes requested by Budget Engagement Commission to the Spending Plan are dependent on those options discussed and voted by the Commission.

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Approved by:	Carlie Myers, Deputy City Manager

Attachment:

1. Measure Z Spending Plan
2. Potentially Reprioritized Spending Items