



# City Council Memorandum

*City of Arts & Innovation*

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**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: DECEMBER 17, 2019**

**FROM: FINANCE DEPARTMENT      WARDS: ALL**

**SUBJECT: FISCAL YEAR 2018/19 FOURTH QUARTER FINANCIAL REPORT AND CARRYOVER REQUESTS, MEASURE Z UPDATE, AND RELATED INTERFUND TRANSFERS AND SUPPLEMENTAL APPROPRIATIONS**

**ISSUES:**

Receive and provide input on the attached Fiscal Year 2018/19 Fourth Quarter Financial Report and Measure Z Update, approve carryover requests in the amount of \$38.6 million, and approve interfund transfers and supplemental appropriations in the amount of \$387,471.

**RECOMMENDATIONS:**

That the City Council:

1. Receive and provide input on the Fiscal Year 2018/19 Fourth Quarter Financial Report and Measure Z Update;
2. Approve interfund and interdepartmental transfers of in the amount of \$384,571 and related supplemental appropriations in the same amount and a net budget increase of \$2,900 across City funds, and
3. Approve for carryover of approximately \$4.5 million in General Fund and \$34.1 million of other funds into fiscal year 2019/20.

**COMMISSION RECOMMENDATIONS:**

This report is published on December 5, 2019, for the December 17, 2019, City Council Meeting.

On December 12, 2019, the Budget Engagement Commission will hear this item for consideration and will be asked to take the following actions:

1. Receive and provide input on the Fiscal Year 2018/19 Fourth Quarter Financial Report and Measure Z Update; and
2. Forward a recommendation to the City Council as to the use of the projected \$4.4 million surplus General Fund reserves.

Budget Engagement Commission feedback and recommendations will be presented to the City Council at a meeting for consideration.

**BACKGROUND:**

On June 12, 2018, the City Council adopted Resolution No. 23316 approving the Fiscal Year (FY) 2018-2020 Two-Year Budget. The General Fund’s FY 2018-2020 Two-Year Budget is balanced over two years with a budgeted \$1.2 million surplus in FY 2018/19 to be used in FY 2019/20.

FY 2018/19 General Fund and Measure Z Quarterly Financial Reports for July 2018 – March 2018 were presented to the City Council on January 22, March 26, and June 18, 2019.

**BALANCE REVENUE INDEX (BRI) AND PARTNERSHIP COMPENSATION MODEL (PCM)**

The City’s core revenues make up the BRI which serves as the basis for salary increases for all bargaining and employee groups subscribing to the PCM. Revenue estimates prepared in early 2017 for the FY 2018-2020 Two-Year Budget projected a flattening of these revenues in FY 2019/20, with an 1.82% growth in the BRI. PCM salary increases of 0.91% (50% of the BRI) were budgeted, in addition to any minimum salary increases provided for in the Memorandums of Understanding and Fringe Benefits and Salary Plan. The actual BRI produced a 7.68% growth over the prior year, with a resulting 3.84% PCM salary increase for participating bargaining and employee groups. With the exception of the Police bargaining units, all agreements specify a minimum salary increase: the salary increase is equal to the higher of the minimum negotiated increase or the 50% BRI result. The estimated unbudgeted impact for all City funds is approximately \$2.7 million; the estimated unbudgeted impact for the General Fund is \$2.2 million.

<b>CITYWIDE UNBUDGETED PCM IMPACT</b>				
<b>Employee Groups</b>	<b>Minimum Increase</b>	<b>Actual PCM Increase</b>	<b>Unbudgeted PCM Increase</b>	<b>Estimated Impact</b>
Police (RPOA, RPOA Supervisory, RPAA)	0%	3.84%	3.84%	\$1,692,000
Fire (RCFA, RFMG)	3%	3.84%	0.84%	251,000
SEIU (General & Refuse)	3%	3.84%	0.84%	358,000
Unrepresented	3%	3.84%	0.84%	404,000
<b>Citywide Unbudgeted Impact</b>				<b>\$2,705,000</b>

**DISCUSSION:**

Following the close of each fiscal year, the City’s independent auditor performs an audit of the City’s financial statements. The FY 2018/19 Fourth Quarter Financial Report precedes the audit report. The following figures represent **unaudited financial projections**. The audit report is expected to be completed in December, followed by presentations to the Finance Committee and City Council in February 2020.

**GENERAL FUND**

**Overview**

The General Fund’s FY 2018/19 unaudited results present a net gain of \$3.7 million, with \$278.7 million in revenues outpacing expenditures and encumbrances of \$275 million.

<b>GENERAL FUND SUMMARY</b>					
	<b>Adopted Budget</b>	<b>Adjusted Budget</b>	<b>Unaudited Actuals</b>	<b>\$ Variance</b>	<b>% Variance</b>
<b>Incoming Resources</b>	<b>\$270,070,218</b>	<b>\$272,836,077</b>	<b>\$278,668,535</b>	<b>\$5,832,458</b>	<b>2.1%</b>
Expenditures	\$268,834,151	\$267,691,913	\$271,380,616		
Carryovers		10,815,576			
Encumbrances		5,406,585	3,574,467		
<b>Total Outgoing Resources</b>	<b>\$268,834,151</b>	<b>\$283,914,074</b>	<b>\$274,955,083</b>	<b>\$(8,958,990)</b>	<b>-3.2%</b>
<b>Projected Net Gain / (Loss)</b>	<b>\$1,236,067</b>	<b>\$(11,077,997)</b>	<b>\$3,713,452</b>	<b>\$14,791,449</b>	

Revenues: During the development of the FY 2018-2020 Budget, the approach was conservative with declining growth rates projected in the General Fund’s major revenue sources in anticipation of a slowing economy. However, increases in the Redevelopment Property Tax Trust Fund (RPTTF) and higher than anticipated sales tax receipts helped exceed the adjusted budget by \$3.2 million. Additional detail and analysis is included in Attachment 1 General Fund Revenue and Expenditures Detail Analysis.

Expenditures: The Adjusted Budget includes a carryover of \$16.2 million of FY 2017/18 unexpended funds in the form of carryovers and encumbrances. Of the \$9 million in FY 2018/19 expenditure savings, \$4.5 million is recommended for carryover to FY 2019/20. Staff efforts for fiscally prudent spending resulted in significant savings. Additional detail and analysis is included in Attachment 1 General Fund Revenue and Expenditures Detail Analysis.

**Fund Balance and Reserves**

General Fund reserves are calculated as a percentage of the following year’s adopted budget. The FY 2019/20 adopted budget, as amended and approved by City Council on June 18, 2019, is \$280,372,427.

At fiscal year ending June 20, 2018, \$4.5 million in fund reserves was designated for the Pension Stabilization Fund for investment in a Section 115 Trust. Approximately \$416,000 has been contributed directly to Pension Stabilization Fund reserves during the fiscal year, bringing that reserve balance to \$4.9 million.

<b>GENERAL FUND BALANCE AND RESERVES</b>	
	<b>Year-End Projection</b>
<b>Beginning Fund Balance (Audited)</b>	<b>\$68,387,813</b>
<b>FY 2018/19 Activity:</b>	
Revenues	278,668,535
Expenditures	(271,380,616)
Encumbrances	(3,574,467)
Capital Project & Grant Carryovers	(394,609)
Increase in Other Required Reserves	(595,756)
<b>Projected Change in Fund Balance</b>	<b>\$2,723,087</b>
<b>Projected Ending Fund Balance</b>	<b>\$71,110,900</b>
<b>Fund Balance Reserves:</b>	
Policy Reserve Requirement (15%)	\$(42,055,864)
Aspirational Reserve (5%)	(14,018,621)
Pension Stabilization Reserve	(4,915,801)
FY 2019/20 Budgeted Use of Reserves	(1,236,012)
<b>Total Reserves</b>	<b>\$(62,226,298)</b>
<b>Available Fund Balance</b>	<b>\$8,884,602</b>
<b>Requested Carryovers:</b>	
Discretionary	\$(3,003,563)
Restricted Funds	(1,517,335)
<b>Total Carryovers</b>	<b>\$(4,520,898)</b>
<b>Projected Surplus Reserves</b>	<b>\$4,363,704</b>

## MEASURE Z UPDATE

The FY 2018-2023 Measure Z Spending Plan was approved by the City Council on June 12, 2018, with the adoption of the FY 2018-2020 Two-Year Budget. The spending plan continued the tenets and spending items of the original spending plan adopted in May 2017 and added funding for Fire personnel and equipment; furnishing, fixtures and equipment for the Arlington Youth Innovation Center (AYIC); and funding for the City’s recreational swimming pools. During FY 2018/19, Council approved new allocations for street projects and a Public Safety Engagement Team to address homeless issues in the City.

In the Measure Z fund, there is \$6.5 million in open purchase orders and \$14.2 million in carryover funding is expected to be spent in future years, as the various projects and spending initiatives pick up pace.

Measure Z funds some spending items through debt; payment of debt obligations are provided for in the Measure Z Spending Plan, while the use of debt proceeds is tracked separately. The following chart does not include the use of debt proceeds.

Measure Z ended FY 2018/19 with \$18.7 million in fund balance which is available to be allocated to current or new spending initiatives. The Budget Engagement Commission, the City Manager’s

Office, and the Finance Department are actively reviewing the current Spending Plan and are working towards policy recommendations for the available fund balance. The recommendations will be presented to the City Council with the FY 2020-2022 Proposed Budget.

<b>MEASURE Z ACTIVITY TO DATE</b>			
<b>Activity</b>	<b>FY 2016/17 Allocations</b>	<b>FY 2017/18 Allocations</b>	<b>FY 2018/19 Allocations</b>
Revenue	\$12,606,428	\$56,222,806	\$62,692,745
Expenditures	(9,973,447)	(36,134,811)	(40,988,149)
Encumbrances and Carryovers			(20,714,281)
<b>Net Change in Fund Balance</b>	<b>\$2,632,981</b>	<b>\$20,087,995</b>	<b>\$990,315</b>
Fund Balance Reserve			\$(5,000,000)
<b>Available Fund Balance</b>	<b>\$2,632,981</b>	<b>\$22,720,976</b>	<b>\$18,711,291</b>

**SEWER FUND**

The overall financial position of the Sewer Enterprise fund is healthy and the fund is operating in accordance with the 2016 Sewer Fund Reserve Policy objectives. Refinancing of the 2009A Sewer Revenue Bonds bolstered the Sewer Fund’s financial stability in FY 2018/19. The Public Works Wastewater Division is in the process of completing a Wastewater Treatment and Collection Master Plan Update project, which includes a comprehensive financial and cost of service analysis and evaluation of various rate structure alternatives for consideration. The outcome of this study will inform future rate discussions.

The following analysis focuses on operations and does not include capital project expenditures of \$26.9 million.

**Revenues**

The Sewer Fund’s operating revenues are \$4.6 million higher than projected.

<b>SEWER FUND REVENUES</b>					
<b>Revenue Category</b>	<b>Adopted Budget</b>	<b>Adjusted Budget</b>	<b>Unaudited Actuals</b>	<b>\$ Variance</b>	<b>% Variance</b>
Residential	\$44,670,504	\$44,670,504	\$44,853,084	\$182,580	0.4%
Non-Residential	14,875,603	14,875,603	14,761,904	(113,699)	-0.8%
Wastewater Service	3,588,837	3,588,837	3,984,080	395,243	11.0%
Non-Rate Revenue	2,367,399	2,367,399	3,520,047	1,152,648	48.7%
Use of Money/Property	1,344,962	1,424,962	4,424,716	2,999,754	210.5%
Other Financing Sources	-	-	4,519	4,519	100.0%
<b>Total Revenues</b>	<b>\$66,847,305</b>	<b>\$66,927,305</b>	<b>\$71,548,350</b>	<b>\$4,621,045</b>	<b>6.9%</b>

- Non-Rate Revenue: This revenue category ended \$1.2 higher than projections; Sewer Connection Fees were \$974,000 higher than projected due to increased development

activity.

- Use of Money and Property: This category is \$3 million higher due to outstanding performance of the rebalanced investment portfolio. Interest revenues are \$1 million higher than projections, and the year-end adjustment of investments to market value added \$1.3 million in revenue.

**Expenditures**

Actual operating expenditures and encumbrances are approximately \$916,000 less than the total budget.

SEWER FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Personnel	\$14,307,146	\$14,307,146	\$12,616,452	\$(1,690,694)	-11.8%
Non-Personnel	15,502,841	19,540,526	18,195,272	(1,345,254)	-6.9%
Grants and Capital	190,000	190,000	288,000	98,000	51.6%
Special Programs	2,050,549	2,271,549	1,909,396	(362,153)	-15.9%
Capital Purchases	1,416,500	2,518,403	1,903,745	(614,658)	-24.4%
Debt Service	33,665,119	33,665,119	37,101,438	3,436,319	10.2%
Charges to/from Others	4,204,028	3,657,496	3,219,624	(437,872)	-12.0%
Operating Transfers Out	900,000	900,000	900,000	-	0.0%
<b>Total Expenditures</b>	<b>\$72,236,183</b>	<b>\$77,050,239</b>	<b>\$76,133,928</b>	<b>\$(916,312)</b>	<b>-1.2%</b>

- Personnel: \$1.7 million savings, primarily due to underfilled positions in career-growth classifications.
- Non-Personnel: This category shows \$1.3 million in savings; however, \$2.7 million in outstanding purchase orders will be carried forward, for a net over-spend in this category of \$1.3 million due to significant legal costs associated with the capital recovery effort for both the Phase I Plant Expansion Project and ongoing capital improvements at the Regional Water Quality Control Plant.
- Capital Purchases: This category includes budgets for facility repairs and improvements, machinery, equipment, and automotive replacements. Actual needs were less than budgeted.
- Debt Service: Interest costs are higher than budgeted due to the forward refinancing of the 2009A Sewer Revenue Bonds; activity includes the final interest payment on the defeased bond as well as unbudgeted interest payments on the new bonds. The long-term impact of the refinancing is savings to the Sewer Fund.

**REFUSE FUND**

On December 18, 2018, the City Council approved a mid-year rate adjustment effective January 1, 2019, and an amendment to the existing waste processing agreement.

The adopted budget for the Refuse Fund projected a \$2.2 million draw on cash reserves for FY

2018/19. The Refuse Fund is projected to end the fiscal year with a draw on reserves of \$1.9 million, inclusive of \$333,000 in capital expenditures. The following analysis focuses on operations and does not include capital project activity.

**Revenues**

The Refuse Fund’s operating revenues are \$10,000 less than projected.

REFUSE FUND REVENUES					
Revenue Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Residential - City Service	\$11,787,873	\$12,285,873	\$12,339,238	\$53,365	0.4%
Residential - Private Programs	4,276,036	4,591,036	4,610,470	19,434	0.4%
Fines and Forfeitures	5,385,406	6,084,406	6,160,455	76,049	1.2%
Use of Money/Property	1,207,200	193,200	(106,612)	(299,812)	-155.2%
Other Financing Sources	397,120	397,120	535,767	138,647	34.9%
	-	-	2,010	2,010	100.0%
<b>Total Revenues</b>	<b>\$23,053,635</b>	<b>\$23,551,635</b>	<b>\$23,541,328</b>	<b>\$(10,307)</b>	<b>0.0%</b>

- Fines & Forfeitures: The revenue forecast of \$1.2 million was downgraded to \$193,000 due to an unplanned Street Sweeping Sign replacement project which began in August 2018 and is ongoing. An accounting entry related to prior year revenue accruals resulted in negative revenues of \$107,000 for the fiscal year.

**Expenditures**

Actual operating expenditures and encumbrances are approximately \$1 million less than the total budget.

REFUSE FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Personnel	\$5,768,981	\$5,768,981	\$5,167,235	\$(601,746)	-10.4%
Non-Personnel	8,468,906	9,103,096	8,823,171	(279,925)	-3.1%
Grants and Capital	64,000	64,000	62,368	(1,632)	-2.6%
Special Programs	4,672,890	4,785,039	4,879,100	94,061	2.0%
Capital Purchases	1,434,000	2,009,879	1,826,919	(182,959)	-9.1%
Debt Service	198,931	198,931	198,930	(1)	0.0%
Charges to/from Others	4,587,772	4,614,507	4,584,527	(29,980)	-0.6%
<b>Total Expenditures</b>	<b>\$25,195,480</b>	<b>\$26,544,433</b>	<b>\$25,542,251</b>	<b>\$(1,002,182)</b>	<b>-3.8%</b>

- Personnel: A savings of \$602,000 in the personnel category is primarily attributable to vacant positions.

**PUBLIC UTILITIES ELECTRIC AND WATER FUNDS**

For the Electric and Water Funds, capital projects are budgeted on a program basis with many active projects in progress at the same time, ranging from less than \$50,000 in size to multi-million dollars in major projects that require Board of Public Utilities approval. Major capital projects require several months, and in certain cases cross fiscal years or span multiple fiscal years to complete. The total budget will not be fully spent for any given year due to the timing of projects and extenuating circumstances that may cause a project to be delayed. Due to the long-term nature of capital projects and related grant funding, those items are excluded from the following analysis which focuses on operations.

**Electric Fund**

The Electric Fund is stable and includes the first six months of five-year rate plan effective January 1, 2019. Fund reserves are compliant with policy objectives.

**Revenues**

FY 2018/19 revenues in the Electric Fund are \$7.2 million higher than projected.

<b>ELECTRIC FUND REVENUES</b>					
<b>Revenue Category</b>	<b>Adopted Budget</b>	<b>Adjusted Budget</b>	<b>Unaudited Actuals</b>	<b>\$ Variance</b>	<b>% Variance</b>
Retail Sales	\$310,197,00	\$310,197,00	\$305,083,259	<b>\$(5,113,741)</b>	-1.6%
Transmission Revenue	36,202,799	36,202,799	35,730,318	<b>(472,481)</b>	-1.3%
Other Operating	13,999,790	13,999,790	13,464,417	<b>(535,373)</b>	-3.8%
Use of Money/Property	10,413,343	10,413,343	23,737,457	13,324,114	128.0%
Other Financing Sources	417,000	417,000	368,724	<b>(48,276)</b>	-11.6%
<b>Total Revenues</b>	<b>\$371,229,932</b>	<b>\$371,229,932</b>	<b>\$378,384,175</b>	<b>\$7,154,243</b>	<b>1.9%</b>

- Retail Sales: Retail sales are 1.6% less than projected due to unexpected mild weather patterns which reduced electric consumption.
- Transmission Revenue: Transmission revenue fluctuates similar to energy load; revenues are 1.3% less than projected due to reduced usage.
- Other Operating Revenue: This category is \$535,000 under projections. The Intermountain Coal Power Plant produced more energy due to increased market energy prices requiring the Electric Fund to surrender more greenhouse gas (GHG) allowances, resulting in a reduction of GHG auction proceeds.
- Use of Money and Property: This revenue category includes non-operating revenues such as interest income, rental income, contribution in aid of construction, and miscellaneous one-time receipts. Actual revenues are 128% higher than projected, with \$5.4 million recorded for the increase in market value of investments. Interest revenue is significantly higher than projections due to a successful rebalancing of the investment portfolio. Contributions in Aid account for \$4.3 million higher revenues; these are donated land rights and easements for general access to electrical system assets, new electric service charges and required distribution facilities installed by developers.



## Expenditures

Operating expenditures and encumbrances are \$20.3 million less than budgeted.

ELECTRIC FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Personnel	\$68,140,701	\$68,140,701	\$57,490,791	\$(10,649,910)	-15.6%
Non-Personnel	233,154,249	245,899,763	233,556,854	(12,342,908)	-5.0%
Grants and Capital	1,977,237	1,977,237	2,181,216	203,979	10.3%
Special Programs	229,083	239,908	163,161	(76,747)	-32.0%
Capital Purchases	800,000	7,277,017	4,277,006	(3,000,011)	-41.2%
Debt Service	44,568,867	43,194,206	42,020,621	(1,173,585)	-2.7%
Charges to/from Others	(10,732,071)	(7,996,195)	(11,076,468)	(3,080,273)	38.5%
Operating Transfers Out	40,705,400	40,705,400	39,886,400	(819,000)	-2.0%
<b>Total Expenditures</b>	<b>\$310,702,765</b>	<b>\$331,297,336</b>	<b>\$311,008,790</b>	<b>\$(20,288,546)</b>	<b>-6.1%</b>

- Personnel: Savings of \$10.6 million (15.6% of total personnel budget) are primarily attributable to staffing turnovers and high vacancy rates. The Electric Department is in the process of filling vacant positions.
- Non-Personnel: Spending in this category is 5% less than budget. \$2.6 million in open purchase commitments will continue into the next fiscal year. Energy and capacity charges account for \$6.9 million in savings, due to lower than anticipated consumption.
- Capital Purchases: Planned upgrades to Mission Square are ongoing; \$2.7 million in unexpended funds will be recommended for carryover to complete the facility repairs and upgrades.
- Debt Service: Debt service is \$1.2 million lower than projected due to fiscal year end accounting for the amortization of bond issuance costs.
- Charges to/from Others: Charges to Others primarily represent the charge out of internal labor and overhead costs to capital projects. This category is \$3 million higher than expected due to an increase in capital project work, resulting in higher reimbursements to the Electric Fund.
- Operating Transfers Out: The operating transfer to the General Fund is budgeted based on projected revenues of the prior fiscal year. Actual FY 2017/18 revenues came in lower than projected, reducing the amount of transfer to the General Fund.

## Water Fund

The Water Fund is stable and includes the first year of the five-year rate plan effective July 1, 2018. Fund reserves are compliant with policy objectives.

## Revenues

FY 2018/19 operating revenues in the Water Fund are \$3.2 million lower than projected.

WATER FUND REVENUES					
Revenue Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Retail Sales	\$62,487,000	\$62,487,000	\$57,690,458	\$(4,796,542)	-7.7%
Conveyance & Wholesale	5,517,000	5,517,000	4,251,271	(1,265,730)	-22.9%
Other Operating Revenue	1,790,703	1,790,703	2,291,965	501,262	28.0%
Use of Money/Property	5,745,000	5,745,000	8,015,039	2,270,039	39.5%
Other Financing Sources	77,600	77,600	184,591	106,991	137.9%
<b>Total Revenues</b>	<b>\$75,617,303</b>	<b>\$75,617,303</b>	<b>\$72,433,323</b>	<b>\$(3,183,980)</b>	<b>-4.2%</b>

- Retail Sales: Retail sales are 7.7% lower than projected due to higher than anticipated precipitation from October through March.
- Conveyance and Wholesale: Sales and deliveries to Western Municipal Water District (WMWD) have been reduced due to infrastructure repairs, upgrades by WMWD, and less demand from WMWD resulting in revenues coming in \$1.3 million less than projected.
- Other Operating Revenue: This revenue category is \$501,000 higher than projected due to higher than anticipated settlement reimbursement revenue for water treatment costs.
- Use of Money and Property: This revenue category is \$2.3 million higher than projected, with \$875,000 as a result of the fiscal year end adjustment of investments to market value. Contributions in Aid account for another \$1 million in higher revenues; these are new water service charges and required distribution facilities installed by developers.

## Expenditures

Operating expenditures and encumbrances are \$2.2 million less than budgeted.

WATER FUND EXPENDITURES					
Expenditure Category	Adopted Budget	Adjusted Budget	Unaudited Actuals	\$ Variance	% Variance
Personnel	\$22,426,911	\$22,426,911	\$21,645,404	\$(781,507)	-3.5%
Non-Personnel	14,247,873	16,324,282	15,164,339	(1,159,944)	-7.1%
Grants and Capital	2,642,106	2,642,106	2,388,545	(253,561)	-9.6%
Special Programs	345,000	321,080	110,918	(210,162)	-65.5%
Capital Purchases	-	2,263,958	2,255,733	(8,225)	-0.4%
Debt Service	17,814,691	17,725,650	18,185,390	459,740	2.6%
Charges to/from Others	4,878,111	6,179,974	5,901,715	(278,259)	-4.5%
Operating Transfers Out	6,583,600	6,583,600	6,584,300	700	0.0%
<b>Total Expenditures</b>	<b>\$68,938,292</b>	<b>\$74,467,562</b>	<b>\$72,236,344</b>	<b>\$(2,231,218)</b>	<b>-3.0%</b>

- **Personnel:** Personnel savings of \$782,000 are due to staff turnover and a high number of vacancies during the fiscal year.
- **Non-Personnel:** Savings of \$1.2 million is offset by \$909,000 in open purchase order commitments that will be fulfilled in FY 2019/20, and carryover requests of \$606,000 to complete technology projects.
- **Debt Service:** Debt service is \$460,000 higher than projected due to unbudgeted fiscal year end accounting entries related to debt service activity. This activity caused total spending for the fund to exceed its operating budget after carryovers and open purchase orders, despite savings in other categories.

**INTERFUND AND INTERDEPARTMENTAL TRANSFERS; SUPPLEMENTAL APPROPRIATION REQUESTS**

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Riverside Municipal Code Sec. 1104 requires the affirmative vote of at least five City Council members to authorize the transfer of appropriations between City funds and to authorize supplemental appropriations. Certain interfund or interdepartmental transfers are required to effectuate the intent of previous actions of the City Council, the impacts of which may not be known at the time the action is taken. Other transfers are requested by departments for operational purposes.

The requested transfers and supplementals detailed in Attachment 2 consist of the transfer of grants and capital projects from the General Fund to other appropriate funds, as well as some clean-up activity related to the right sizing of the General Fund. Summary of transfers and supplemental requests recommended for Council approval:

<b>INTERFUND TRANSFERS AND SUPPLEMENTAL APPROPRIATIONS</b>			
<b>Fund</b>	<b>Revenue</b>	<b>Expense</b>	<b>Net Increase/ (Decrease)</b>
101 - General Fund	\$36,497	\$(334,195)	\$370,692
215 - Grants and Restricted Programs	(151,744)	242,644	(394,388)
401 – Capital Projects Fund	387,471	518,883	(131,412)
<b>Total Budget Adjustments</b>	<b>\$272,224</b>	<b>\$427,332</b>	<b>\$(155,108)</b>

**CARRYOVER OF UNEXPENDED FY 2018/19 FUNDS**

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Unexpended FY 2018/19 funds are available for carryover and spending in FY 2019/20. Restricted funds designated for specific spending purposes are required to be carried over (e.g. such as donated, trust, and intergovernmental funds). Discretionary carryover requests include expenditures approved by City Council during FY 2018/19 but were not not encumbered prior to fiscal year end. Summary of carryover requests recommended for Council approval:

<b>CARRYOVER REQUESTS – ALL CITY FUNDS</b>			
<b>Fund Type</b>	<b>Discretionary</b>	<b>Restricted Purpose</b>	<b>Total</b>
101 - General Fund	\$3,003,563	\$ 1,517,335	\$4,520,898
110 - Measure Z Operating	14,249,562		14,249,562
2xx - Special Revenue Funds	842,631	8,189,661	9,032,292
4xx – Capital Project Funds	2,015,538	572,643	2,588,181
51x - Electric Funds	6,046,620		6,046,620
52x - Water Funds	1,022,380		1,022,380
540 – Refuse Fund	972,027		972,027
5xx – Other Enterprise Funds	3,444		3,444
6xx – Internal Service Funds	203,179		203,179
<b>Total Carryover Requests</b>	<b>\$ 28,358,944</b>	<b>\$10,279,639</b>	<b>\$38,638,583</b>

**FISCAL IMPACT:**

The General Fund ended FY 2018/19 in better condition than projected, with revenues outperforming projections, and savings in nearly all expenditure categories. As a result, the City is able to achieve the aspirational 20% General Fund reserve goal and end the year with \$4.4 million in surplus reserves.

The Enterprise Funds (Sewer, Refuse, Electric and Water) are operating either as expected, or better than expected as a result of debt refinancing and rate updates. The Sewer and Refuse funds are undergoing operational and financial reviews which will guide future discussions on the long-term strategy for these funds.

The approval of interfund and interdepartmental transfers of in the amount of \$384,571 and related supplemental appropriations in the same amount will result in a net budget increase of \$2,900 across City funds.

There is no fiscal impact for the approval of carryovers because the funding has already been earmarked for a specific purpose and was adopted and approved by the City Council in June 2018.

Prepared by: Marie Ricci, Assistant Chief Financial Officer  
 Approved as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
 Approved by: Carlie Myers, Deputy City Manager

- Attachments:
1. General Fund Revenue and Expenditure Detail Analysis
  2. Transfers, Adjustments and Appropriations
  3. Carryover of Unexpended Funds
  4. Measure Z
  5. Presentation