



FISCAL YEAR 2019/20 FINANCIAL UPDATE AND ADJUSTMENTS TO THE ADOPTED FY 2020/21 EMERGENCY BUDGET

Finance Department

City Council Meeting
October 27, 2020

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BACKGROUND

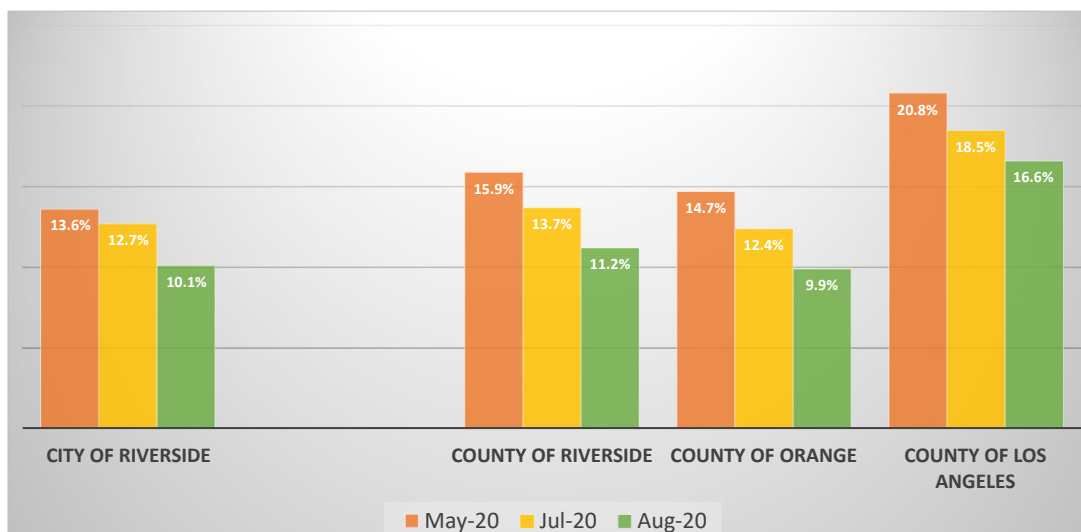
1. **March 2020:** Pandemic, stay-at-home orders, temporary closure of businesses, limited public meetings
2. **June 2020:** Adoption of the FY 2020/21 Emergency Budget with General Fund balancing measures and contingency revenue reductions
3. **June 2020:** FY 2019/20 Third Quarter Financial Report
 - A. Unknown fiscal impacts of COVID-19
 - B. Projected a potential 4% shortfall in General Fund revenues
 - C. Projected expenditure impacts, such as increase in Convention Center subsidy



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UNEMPLOYMENT RATE



Source: California EDD

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What we were hearing (Spring 2020!)

By Nick Welsh

Fri Mar 27, 2020 | 4:44pm



Hundreds of hourly employees who work for Santa Barbara's City Hall – or were about to – w joining the 3.3 million Americans already filing for jobless benefits after layoff notices were se Friday. Like most major employers, City Hall is experiencing a violent reduction of revenues as the COVID-19 epidemic, and this wave of layoffs is no doubt only the first of many shoes to dr

State, city workers could be next wave of layoffs as tax revenue dries up amid COVID-19

PALM SPRINGS

Palm Springs considers staff layoffs, other cuts to bridge \$76M budget shortfall

Melissa Daniels Palm Springs Desert Sun

Published 9:00 a.m. ET May 21, 2020 | Updated 3:54 p.m. ET May 22, 2020

Council Approves Voluntary Separation Program for Santa Monica City Workers

By Jorge Casuso

April 15, 2020 -- Hoping to avert massive layoffs due to the coronavirus shutdown, the City Council on Tuesday voted to offer lump sum payments to full-time municipal workers who voluntarily leave their jobs.

ISA TODAY

Apr. 23, 2020 | Updated 5:00 p.m. ET Apr. 23, 2020

of Santa Monica is planning to cut \$203.2 million from its budget and about 337 ent and 144 temporary jobs as the coronavirus shutdown devastates the sectors of lonica's economy that sustain city revenues.

With a projected general fund deficit of \$224 million through June 2022, City Council will vote Tuesday on a [budget plan](#) that proposes freeing up \$117 million in one-time funds and cutting \$86.2 million in ongoing costs through radical cuts to city programs, services and staffing. Many in-person services would be shifted to a redesigned city website, both to facilitate physical distancing and to save money.

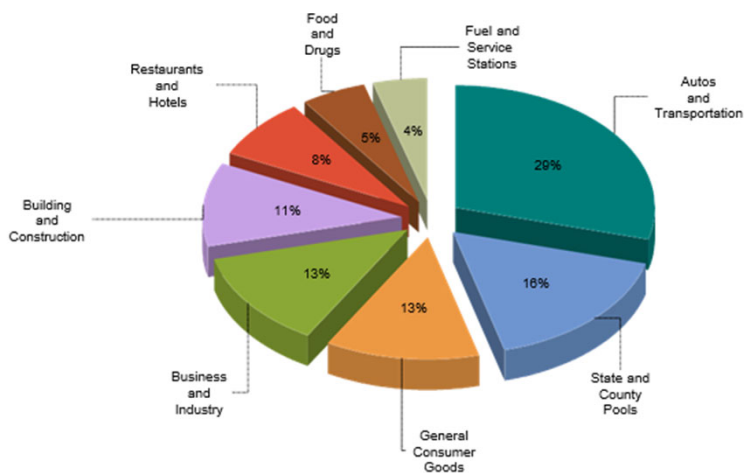
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SALES TAX REVENUE DEMOGRAPHICS

2Q20 Percent of Total

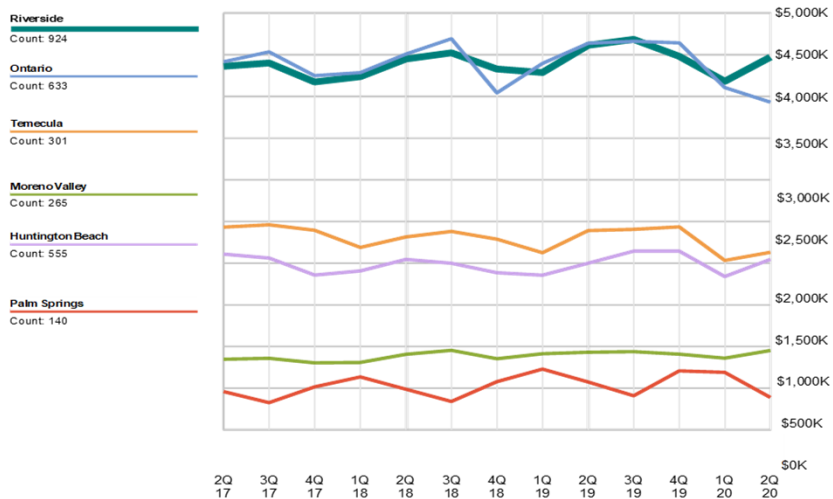


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CITY OF RIVERSIDE AGENCY COMPARISONS - AUTOS AND TRANSPORTATION

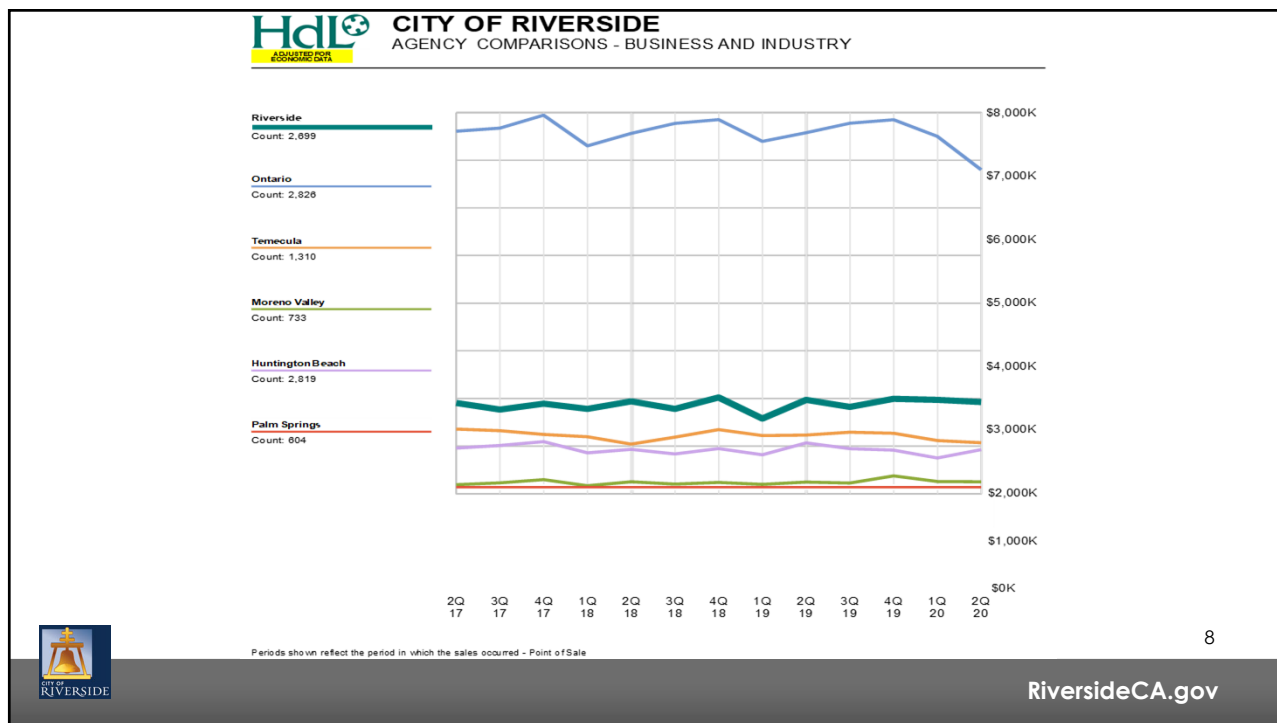
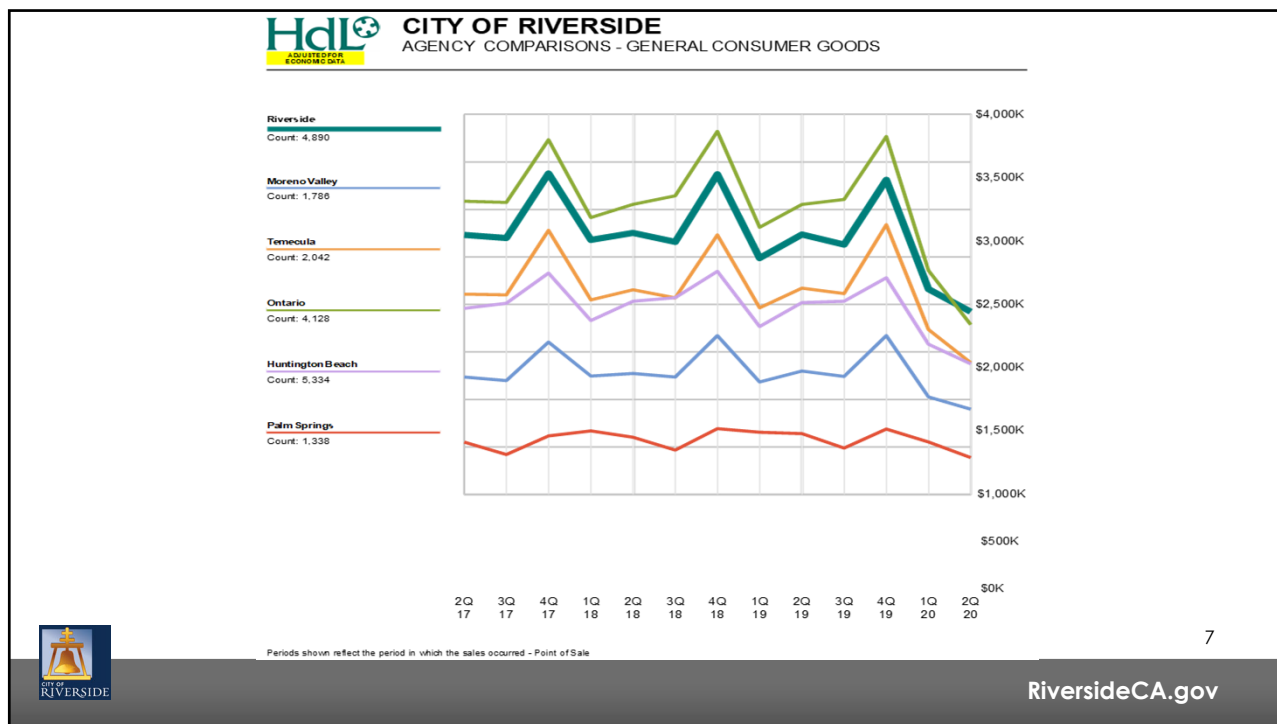


Periods shown reflect the period in which the sales occurred - Point of Sale



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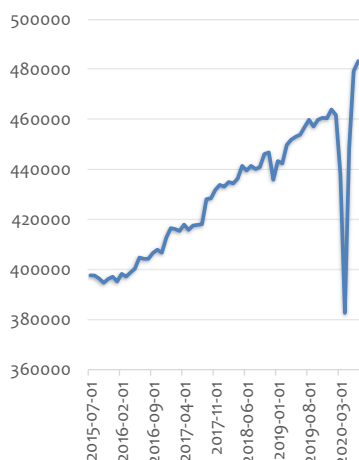
The Rebound: Spending



Auto / Light Truck Sales SAAR to July



Retail Sales to July



Total Growth July-July	2.7
Nonstore retailers	24.7
Sporting goods, hobby, musical	17.8
Building material & garden eq &	14.8
Food & beverage stores	11.1
Grocery stores	10.6
Motor vehicle & parts dealers	6.1
Auto & other motor veh d	5.8
Miscellaneous store retailers	4.5
Health & personal care stores	3.2
Furniture & home furn stores	-0.7
Electronics & appliance stores	-2.8
General merchandise stores	-13.4
Gasoline stations	-15.6
Food services & drinking places	-18.9
Clothing & clothing accessories	-20.9

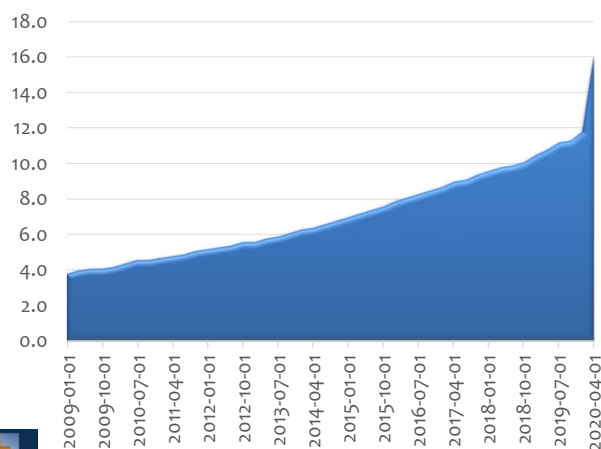


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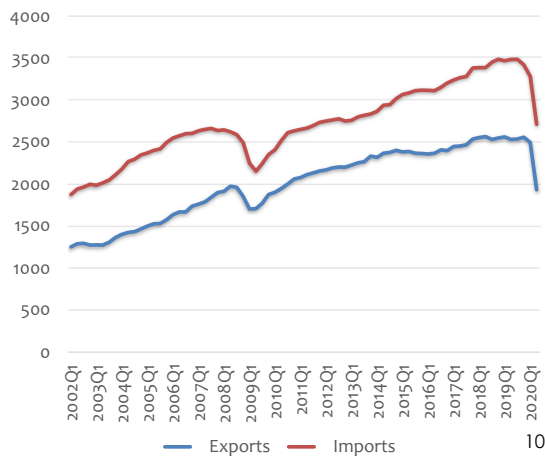
Industrial and Retail: Push and Pull



E-commerce share retail sales

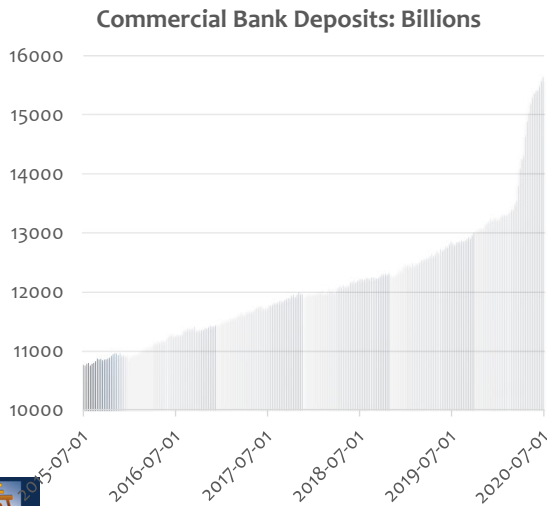


Real Trade Flows



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The Banking Conundrum



	Feb to Aug	Aug-Feb	Feb-Aug
Bank credit	2.9%	2.6%	7.0%
Treasury and agency securities: Mortgage-backed securities (MBS)	4.5%	6.6%	9.4%
Treasury and agency securities: Non-MBS	10.1%	3.0%	24.6%
Loans and leases in bank credit	2.3%	1.9%	4.9%
Commercial and industrial loans	1.3%	-0.3%	19.3%
Real estate loans	2.0%	2.6%	1.2%
Real estate loans: Closed-end residential loans	2.9%	2.1%	0.7%
Real estate loans: Commercial real estate loans	2.3%	4.0%	2.5%
Real estate loans: Construction and land development	0.7%	2.0%	4.9%
Real estate loans: Secured by multifamily properties	4.3%	7.2%	3.2%
Real estate loans: Secured by nonfarm nonresidential properties	2.4%	3.9%	1.9%
Consumer loans	3.2%	2.5%	-5.0%



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FY 2019/20 PRELIMINARY SALES TAX RESULTS

Industry Group	FY 2018-19 Actuals	FY 2019-20 Projection	FY 2019-20 Actuals	Variance to Projections	FY2019-20 Adopted Budget	Variance to Adopted Budget
Autos & Transportation	\$ 18,402,526	\$ 15,399,023	\$ 18,064,905	17.3%		
Building & Construction	7,593,561	6,201,810	6,640,451	7.1%		
Business & Industry	7,546,738	6,793,158	8,095,239	19.2%		
Food & Drugs	3,077,302	3,102,664	3,008,210	-3.0%		
Fuel & Service Stations	4,817,753	3,878,779	3,868,661	-0.3%		
General Consumer Goods	11,813,106	9,398,710	10,137,389	7.9%		
Restaurants & Hotels	7,528,064	6,190,436	6,632,346	7.1%		
Transfers & Unidentified	48,895	66,769	21,298	-68.1%		
State & County Pools	9,371,602	9,003,724	8,703,973	-3.3%		
Total	\$ 70,199,547	\$ 60,035,073	\$ 65,172,472	8.6%		
Administrative Costs	(687,175)	(655,662)	(655,662)			
Total	\$ 69,512,372	\$ 59,379,411	\$ 64,516,810	8.7%	\$ 64,476,369	\$ 40,441
Measure Z Revenues	\$ 64,643,760	\$ 56,026,000	\$ 62,380,085	11.3%	\$ 59,000,000	\$ 3,380,085



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FY 2019/20 GENERAL FUND BUDGET VS. PRELIMINARY RESULTS

FY 2019-20 Comparison					
	Budget FY 2019/20	Pandemic Estimates	Pandemic Projection	FYTD FY 2019/20	Estimated Difference
Revenue / Transfers In					
Property Taxes	\$ 70,194,896		\$ 70,194,896	\$ 70,805,354	\$ 610,458
Sales and Use Tax	66,159,534	(6,780,223)	59,379,311	66,273,220	113,686
General Fund Transfer	46,893,700		46,893,700	46,076,000	(817,700)
Utility Users Tax	28,837,533		28,837,533	29,043,610	206,077
Non-Development Charges for Services	11,249,161		11,249,161	8,862,836	(2,386,325)
Licenses and Non-Developer Permits	8,781,815	(1,700,000)	7,081,815	8,569,067	(212,748)
Transient Occupancy Tax	7,158,960	(2,250,000)	4,908,960	5,958,727	(1,200,233)
Other fees (franchise, developer fees and charge)	21,594,790		21,594,790	24,708,391	3,113,601
Measure Z Transfer In	18,266,026		18,266,026	18,266,026	(0)
Total Revenues/Transfers In	\$279,136,415	\$(10,730,223)	\$268,406,192	\$278,563,231	(\$573,184)
	Budget FY 2019/20			FYTD FY 2019/20	Estimated Difference
Expenditures					
Personnel	\$ 236,587,910			\$222,961,811	\$(13,626,099)
Non-Personnel	54,237,993			49,701,637	(4,536,356)
Grants and Special Programs	11,245,632			7,914,467	(3,331,165)
Charges to/from Others, net	(23,760,312)			(21,970,345)	1,789,967
Operating Transfers Out (subsidies)	22,193,404			24,094,529	1,901,125
Total Expenditures	\$300,504,627	\$ -	\$ -	\$282,702,099	(\$17,802,528)
Estimated Surplus prior to Carryover Items, final Y/E adjustments and Closing of Purchase Orders ****					\$17,229,344

**** As the year end financial close is still in process this number will likely change.



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FY 2019/20 – WHAT'S NEXT?

1. Complete the financial audit
2. Carryover capital project and grant funding
3. Present Fiscal Year End Financial Report to Council
 - A. Audited fiscal year end results
 - B. Departmental carryover requests
 - C. Quantify actual savings and ending fund reserves
 - D. Council direction on the use of excess reserves
 - Consider balancing measures applied to FY 2020/21 Emergency Budget



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FY 2020/21 EMERGENCY BUDGET REVIEW – GENERAL FUND

COVID-19 CONTINGENCIES AND BALANCING MEASURES		
Description	Revenue	Expenditures
Vacancy Savings Target (Unfunded Positions)		\$(15,654,498)
10% COVID-19 Contingency Revenue Reduction	\$(25,697,250)	
Pension Obligation Bond (POB) Projected Savings		\$(7,000,000)
Maintain Measure Z FY 2019/20 Support Level	\$6,531,749	
Allocate Unspent Measure Z Contingency (2019-2021)	6,000,000	
Section 115 Trust withdrawal	6,165,501	
Total Balancing Measures	\$(7,000,000)	\$(22,654,498)
FY 2020/21 Adopted Emergency Budget	\$271,400,277	\$271,400,277



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FY 2020/21 BUDGET ADJUSTMENTS

1. Multiple Funds - Pension Obligation Bond and UAL reallocation:
 - A. Presents personnel savings in all city funds with personnel budgets
 - B. Record debt obligations in all applicable funds
2. General Fund - Charter Amendments: Fewer ballot measures than anticipated; \$880,000 General Fund savings
3. General Fund - Festival of Lights: Modified event, \$153,340 net General Fund savings.
4. General Fund - Cost Allocation Plan correction: Interdepartmental transfer, zero net effect to budget.
5. Central Stores Fund: Interdepartmental transfer to move from RPU to Finance, no net effect to budget; no General Fund impact.



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FY 2020/21 SUPPLEMENTAL REQUESTS

1. Debt Service Fund: \$13,176,461 for Pension Obligation Bond
2. Storm Drain Fund: \$50,000 for storm drain studies
3. Measure A Fund: \$475,000 for transportation planning, planning/investigations, and payment management systems
4. Electric Fund: \$606,600 for increase in property insurance costs
5. Special Districts Fund: \$175,262 to replace fencing, gazebos, and play equipment in the Riverside Landscape Maintenance District



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FY 2020/21 ADJUSTED EMERGENCY BUDGET

1. Net impact of recommended budget adjustments and supplemental appropriations
 - A. POB/UAL savings in all funds with personnel budgets
 - B. Approximately \$1.3 million net savings in General Fund for all recommended adjustments; recommend reducing budgeted Section 115 Pension Trust withdrawal
2. Next Steps
 - A. FY 2019/20 Financial Results and recommended use of savings
 - Potential adjustments to the FY 2020/21 Emergency Budget
 - B. FY 2020/21 Quarterly Financial Reports, adjust as we go in response to what we are seeing
 - Quarter 2 (October-December) sales tax will be a key indicator



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ON THE HORIZON...

1. COVID-19 pandemic anticipated to continue into 2021
2. Presidential election
3. Social unrest
4. Lack of continued federal stimulus assistance
5. Spending in the 4th Quarter of 2020
6. Ongoing threat to the General Fund Transfer



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RECOMMENDATIONS

That the City Council:

1. Receive and provide input on the Fiscal Year 2019/20 financial update;
2. Approve recommended adjustments to the adopted FY 2020/21 Emergency Budget; and
3. Approve supplemental appropriations totaling \$13,820,444 citywide: in the Special Districts Fund (\$175,262); Debt Service Fund (\$13,120,182); Storm Drain Fund (\$50,000); and Measure A Fund (\$475,000).



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