



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: NOVEMBER 18, 2021**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: FISCAL YEAR 2022-2024 BUDGET DEVELOPMENT, PRIORITY BASED BUDGETING, MEASURE C, AND SPECIAL MEETING DATES

ISSUE:

That the Budget Engagement Commission receive an update on the development of the Fiscal Year 2022-2024 Biennial Budget and the adoption of the priority-based budgeting methodology; discuss the result of the Measure C ballot measure on City finances; and approve special meeting dates to receive departmental budget presentations.

RECOMMENDATIONS:

That the Budget Engagement Commission:

1. Receive an update on the development of the Fiscal Year 2022-2024 Biennial Budget and adoption of the priority-based budgeting methodology;
2. Discuss the result of the Measure C ballot measure on City finances;
3. Provide feedback and recommendations related to the prioritization and funding of critical unfunded needs; and
4. Approve special Budget Engagement Meeting dates for March 31, 2022, and April 7, 2022, to receive departmental budget presentations.

BACKGROUND:

On February 28, 2019, the Budget Engagement Commission (BEC) received an introduction to priority based budgeting (PBB) and voted unanimously to support the principles of priority based budgeting and recommend that the City move in that direction in a thoughtful, reasonable fashion.

The foundation of PBB is the alignment of the City's programs and services with the City's strategic plan. In January 2020, the City Manager's Office issued a request for proposal for a consultant to facilitate the development of a new citywide strategic plan for the period of 2020-2025. The strategic plan, titled *Envision Riverside 2025* was adopted by the City Council on October 20, 2020.

On June 16, 2020, the City adopted a one-year emergency budget for FY 2020/21 due to the onset of the COVID-19 pandemic and potential fiscal impacts of the pandemic on City finances. The City adopted a one-year budget for FY 2021/22 due to the continued uncertainty of the pandemic on City finances; the pending outcome of the legal challenge to the General Fund Transfer (GFT) from the Electric Fund and ongoing contingency planning efforts; and the planned implementation of Priority Based Budgeting (PBB) in the FY 2022-2024 biennial budget.

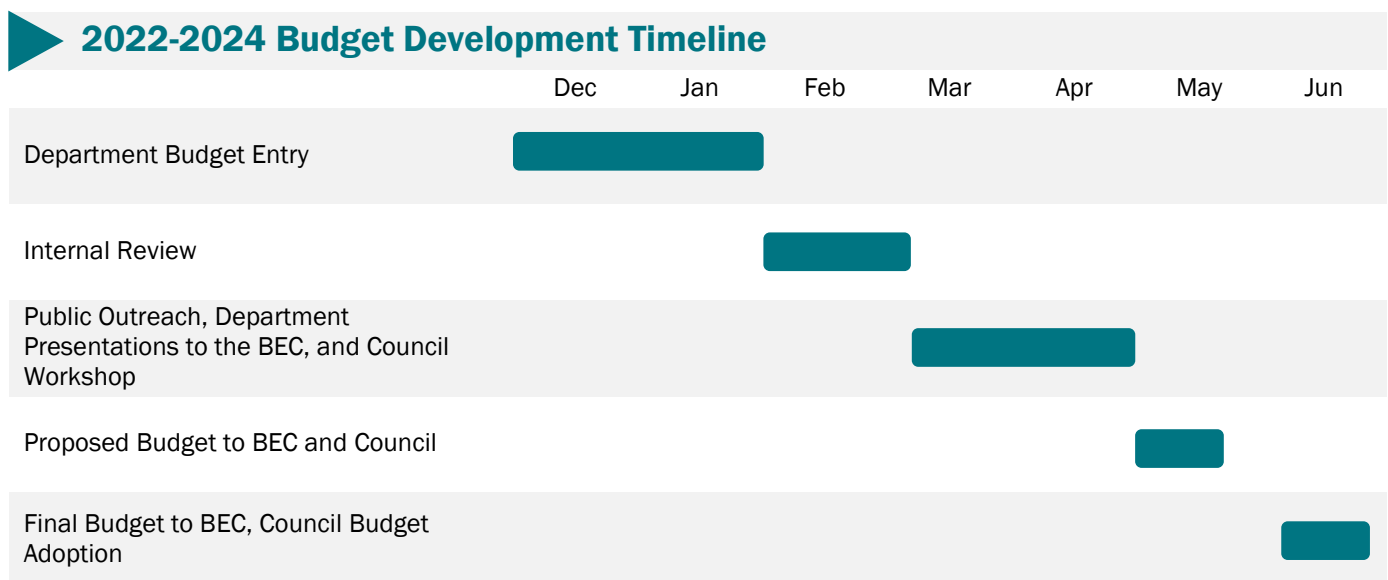
On August 4, 2020, the City Council approved a professional services and license agreement for PBB software implementation and consulting services with Resource Exploration, LLC (ResourceX). City staff began the implementation of PBB in August 2020 by building a comprehensive inventory of City programs and services, allocating the FY 2020/21 adopted line-item budget to programs, scoring programs in alignment with the strategic plan, and developing program insights.

On September 9, 2021, the BEC received an update on the implementation of PBB. Year 1 entailed learning the concepts of PBB and setting the foundation for the future use of PBB during budget development.

On November 2, 2021, Riverside voters considered Measure C, the City of Riverside Services Protection Measure seeking voter approval to continue the General Fund Transfer from the Electric Fund. The ballot measure was passed by the voters, resulting in no new impact to the General Fund budget.

DISCUSSION:

The City will return to a biennial budget with the FY 2022-2024 budget. The anticipated schedule for budget development is illustrated below.



The items currently planned to come before the BEC are as follows:

Budget Item	BEC Meeting Date
Critical Unfunded Needs (Preliminary Recommendations)	November 18, 2021
Baseline Budget	December 9, 2021
Measure Z Review, Critical Unfunded Needs (Final Recommendations)	January 13, 2022
Departmental Budget Presentations	March 31, April 7, April 14, 2022
Proposed Budget	May 12, 2022
Final Budget	June 9, 2022

The implementation of PBB has continued with the updating of program inventory, allocation of the adopted FY 2021/22 line-item budget to programs, and rescoring programs in alignment with the strategic plan. The PBB methodology will be utilized in preparation for the upcoming budget cycle to identify a potential reallocation of resources toward funding critical needs, as illustrated in Attachment 1. As of the time of this report,

1. Staff identified critical unfunded needs;
2. The Deputy Leadership Team ranked the critical unfunded needs in order of highest to lowest priority within each PBB quartile¹; and
3. The Executive Leadership Team identified items that they believe are important to fund in FY 2022/23. (All steps in this process will be repeated annually, including for the FY 2023/24 mid-cycle budget update.)

Throughout the month of November, ResourceX will facilitate a series of Insights workshops in which City staff will identify opportunities to free up resources and enhance revenue to fund critical needs. Those efforts are expected to result in the identification of the total funding available to reallocate to critical unfunded needs. City leadership will then reconvene to finalize the list of critical needs that can and will be funded through the reallocation of program resources identified during the Insights workshops.

Currently, BEC review and recommendations regarding the critical unfunded needs are requested (Attachment 2). BEC feedback will be provided to City leadership when they reconvene in December to finalize a plan to reallocate resources to critical unfunded needs. The results will be brought to the BEC in January 2022 for additional feedback.

STRATEGIC PLAN ALIGNMENT:

The topics included in this report align with **Strategic Priority 5: High Performing Government and Goal 5.4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

The report item aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The development of the FY 2022-2024 Biennial Budget is an inclusive

¹ PBB Quartiles, numbered 1 through 4, indicate how closely a program is aligned with the City's strategic plan, with "1" indicating the highest alignment and "4" indicating the lowest alignment.

and transparent process that incorporates community engagement, involvement of City Boards & Commissions, and timely and reliable information.

2. **Equity** – The Riverside community at large is invited to participate in the community engagement efforts and public meetings related to the development of the FY 2022-2024 Biennial Budget. Equity is a major component of the strategic plan and is a primary consideration in determining how programs score during the PBB process.
3. **Fiscal Responsibility** – The thoughtful and deliberate nature of the City's budget development process and focus of PBB to prioritize the allocation of City resources in alignment with the strategic plan demonstrate the City's commitment to responsible management of the City's financial resources while providing quality public services to all.
4. **Innovation** – PBB is an innovative approach to decision-making and combines technology with a collaborative working approach to create data about programs that can be applied during the budgeting process.
5. **Sustainability & Resiliency** – The budget development process and adoption of PBB methodology facilitate the balancing of current and future needs, thereby supporting the ultimate goal of long-term fiscal stability for the City.

FISCAL IMPACT:

The fiscal impact that may result from the discussion of the topics in this report is unknown at this time. BEC recommendations will be incorporated into the development of the FY 2022-2024 Biennial Budget.

Prepared by: Kristie Thomas, Assistant Chief Financial Officer
Approved as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Kris Martinez, Interim Assistant City Manager

Attachments:

1. PBB Workshops Illustration
2. Critical Unfunded Needs