



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS

DATE: OCTOBER 9, 2025

FROM: FINANCE DEPARTMENT

WARDS: ALL

SUBJECT: MEASURE Z – FUND BALANCE RESERVE POLICY

ISSUE:

Receive and provide input on the Measure Z Reserve Policy.

RECOMMENDATION:

That the Budget Engagement Commission receive and provide input on the Measure Z Reserve Policy.

BACKGROUND:

Measure Z, a one-cent Transaction and Use Tax (TUT), was approved by Riverside voters in November 2016 for a period of twenty years. Tax collection began in April 2017 and will expire in March 2036. The stated intent of Measure Z is to restore critical General Fund services eliminated in June 2016 and address other critical unfunded needs, such as first responder staffing and vehicles, road and tree maintenance, and building repair and maintenance. The first Measure Z Five-Year Spending Plan was approved by City Council in May 2017.

On February 28, 2019, the Budget Engagement Commission (BEC) voted unanimously to concur with staff's recommendation as a best practice to establish a 15% reserve policy for Measure Z.

On March 13, 2019, the Finance Committee met with Chair Adams, Vice Chair Conder, and Member Soubirous present, to consider the proposed Measure Z Reserve Policy which recommended a 15% fund balance reserve. Following discussion, the Committee voted unanimously to recommend that the City Council adopt a \$5 million contingency reserve policy for the Measure Z Fund.

On April 2, 2019, the City Council unanimously approved the \$5 million contingency reserve policy for the Measure Z Fund as part of the Consent Calendar.

DISCUSSION:

It is important to recognize that Measure Z revenues are dependent upon consumer spending and are therefore subject to fluctuating economic conditions. Measure Z provides funding for a

number of ongoing items, including debt obligations and personnel costs, which cannot be spontaneously reduced or terminated in the event of revenue contraction. Therefore, it is imperative that sufficient fund reserves are maintained to provide a buffer for an economic downturn as well as annual increases in ongoing escalating costs.

The Measure Z Reserve Policy (Attachment 1) balances the intent of the Measure Z TUT with the need to maintain prudent reserve levels. In accordance with the recommendation of the Finance Committee, the Policy requires a \$5 million reserve contingency be established to cover necessary expenses in order to provide time for a measured and thoughtful reduction of expenditures during times of economic downturn. Other requirements such as the process for utilizing reserves, when a Replenishment Plan is required, how to adopt a Wind-Down plan, and how to utilize surplus reserves are also included in the policy.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/City
Treasurer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Measure Z Reserve Policy
2. Presentation