

FY 2025/26 Second Quarter Financial Update

Finance Department

Budget Engagement Commission
May 14, 2026

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1

Fiscal Health and Outlook



Overall, the City maintains a strong financial position



Risk that expenditure will continue to outpace revenue growth



Significant uncertainty of future fiscal outlook remains





2


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2

GENERAL FUND & MEASURE Z RESERVE BALANCES

General Fund		Measure Z	
Policy Reserves	Balance (in millions)	Available Fund Reserves*	Balance (in millions)
Emergency Reserve (15%)	\$ 57.32	Policy Reserve	5.00
Contingency Reserve (5%)	19.11		
Total	\$ 76.43	Total	\$ 29.34
Other Reserves			
Reserved for Section 115 Trust Contributions	\$ 18.23	<p>* Reflects projected fund balance as of the end of the second quarter including encumbrances, carryovers, and recommended adjustments. * Measure Z fund balance is anticipated to be drawn down over the adopted five-year plan.</p> <div style="text-align: center;">  </div>	
Infrastructure Reserve	6.37		
Technology Reserve	5.00		
Water GFT Escrow	25.82		
Section 115 Trust	96.77		
Undesignated	9.56		
Total	\$ 161.75		
Total Reserves		\$ 238.18	





3
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3

GENERAL FUND & MEASURE Z OVERVIEW

FY 2025/26 Summary				
	Adopted Budget	Council Approved Adjustments*	Q2 Recommended Adjustments	Final Adjusted Budget
General Fund				
Revenue/Transfers In	\$ 382,157,213	\$ -	\$ 4,566,713	\$ 386,723,926
Expenditure/Transfers Out	382,157,213	1,161,813	3,404,900	386,723,926
Surplus/(Deficit)	\$ -	\$ (1,161,813)	\$ 1,161,813	\$ -
Measure Z				
Revenue/Transfers In	\$ 84,096,000	\$ -	\$ (220,000)	\$ 83,876,000
Expenditure/Transfers Out	107,253,487	655,077	(3,955,941)	103,952,623
Surplus/(Deficit)*	\$ (23,157,487)	\$ (655,077)	\$ 3,735,941	\$ (20,076,623)

* Excludes encumbrances and carryovers and various net zero adjustments, which do not have a net impact the on surplus/deficit calculation.
 ** Reflects continued strategic draw on available Measure Z fund balance as adopted in the FY 2025/26 budget.




4
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4

GENERAL FUND REVENUES

General Fund (In millions)				
Revenue Category	Adopted Budget	Proposed Adjustments	Year End Projection	% Change
Property Taxes	\$ 96.47	\$ 1.50	\$ 97.97	1.6%
Sales Tax	94.09	.88	94.97	0.9%
Cannabis Tax	1.00	(.75)	.25	-75.0%
Utility Users Tax	37.12	(.80)	36.32	-2.2%
Transient Occupancy Tax	8.93	-	8.93	-
Franchise Fees	7.16	(1.00)	6.16	-14.0%
Licenses & Non-Developer Permits	11.11	1.00	12.11	9.0%
Non-Development Charges for Services	12.21	-	12.21	-
Development Fees & Charges	9.74	(2.00)	7.74	-25.0%
General Fund Transfer	56.20	3.13	59.33	5.6%
Measure Z Transfer	18.27	-	18.27	0%
Public Safety Support (Measure Z)	7.37	-	7.37	0%
Other Revenues & Transfers In	22.50	2.61	25.11	11.6%
Total Revenues & Transfers In	\$ 382.16	\$ 4.57	\$ 386.72	1.19%

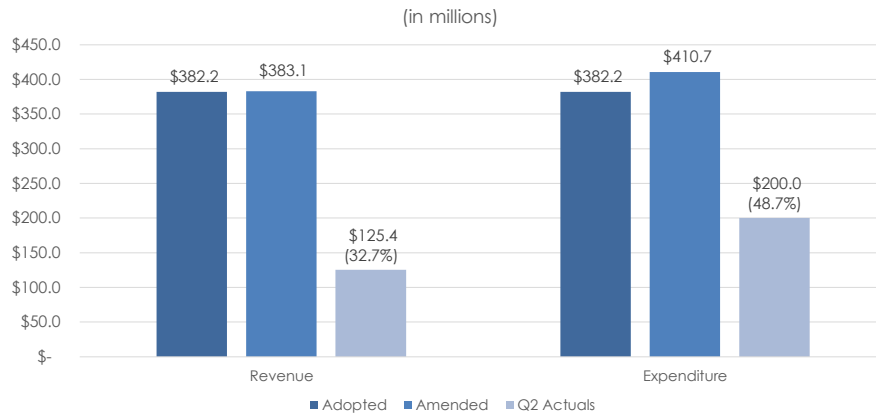


5

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5

GENERAL FUND EXPENDITURES



Amended Budget includes prior fiscal year encumbrances and carryovers.

6

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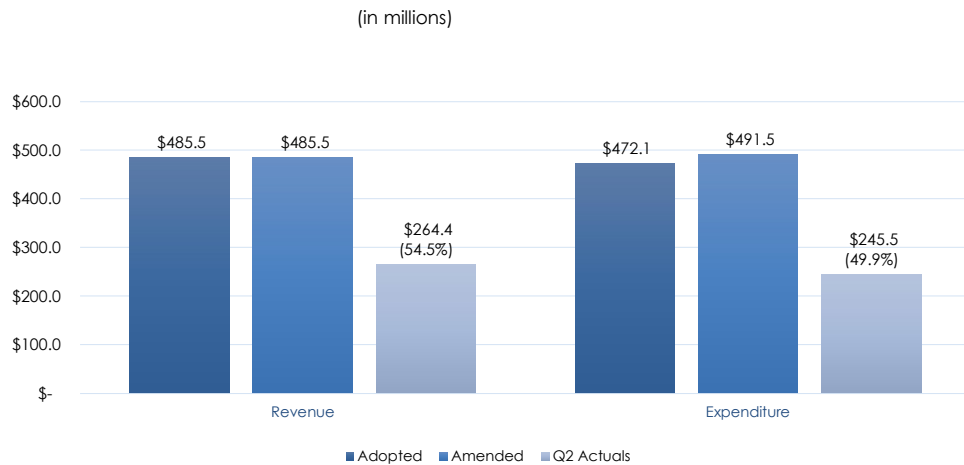
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MEASURE Z SPENDING PLAN

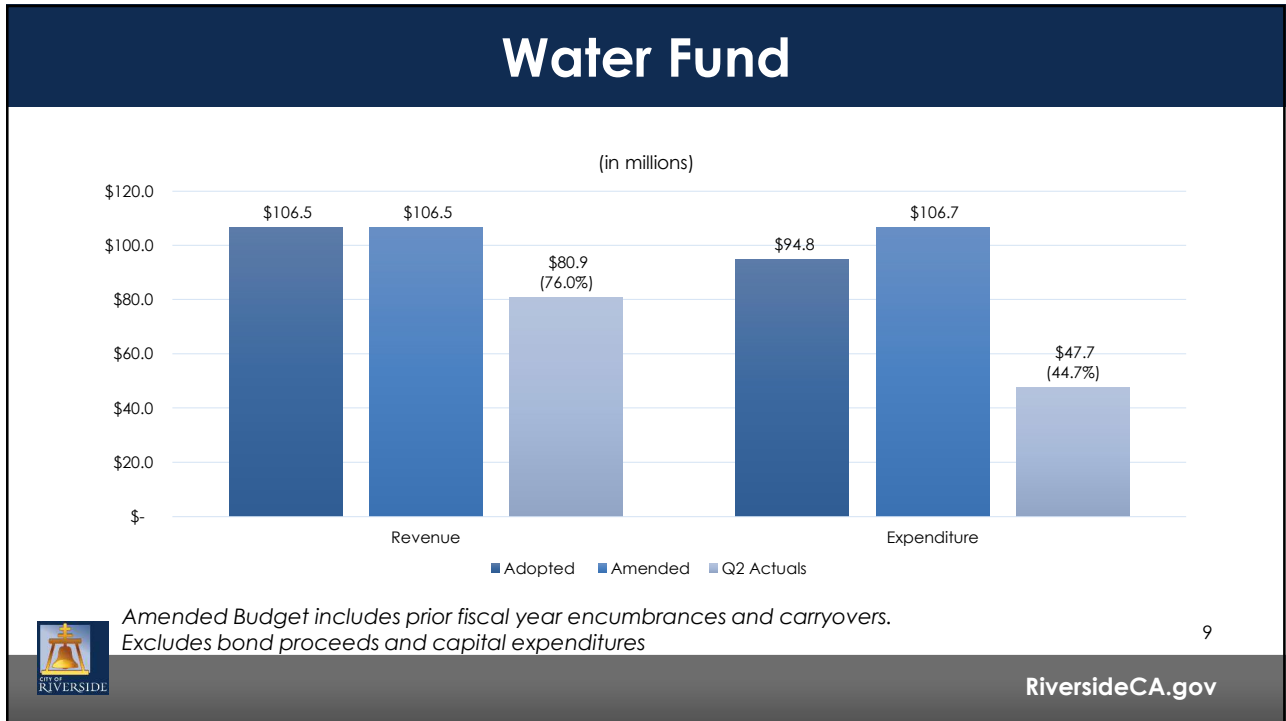
(in millions)	Actuals				Projected
	2022	2023	2024	2025	2026
Revenue	\$ 83.91	\$ 85.84	\$ 84.20	\$83.67	\$ 83.88
Expenditures	(67.45)	(69.61)	(86.10)	100.90	(103.95)
Encumbrances & Carryovers					(44.44)
Net Change in Fund Balance	\$ 16.46	\$16.24	\$(1.91)	\$(17.23)	\$(64.52)
Beginning Fund Balance	\$ 74.94	\$ 91.40	\$ 107.63	\$ 105.72	\$ 88.49
Net Change in Fund Balance	16.46	16.24	(1.91)	(17.23)	(64.52)
Ending Fund Balance	\$ 91.40	\$ 107.63	\$ 105.72	\$ 88.49	\$ 23.97



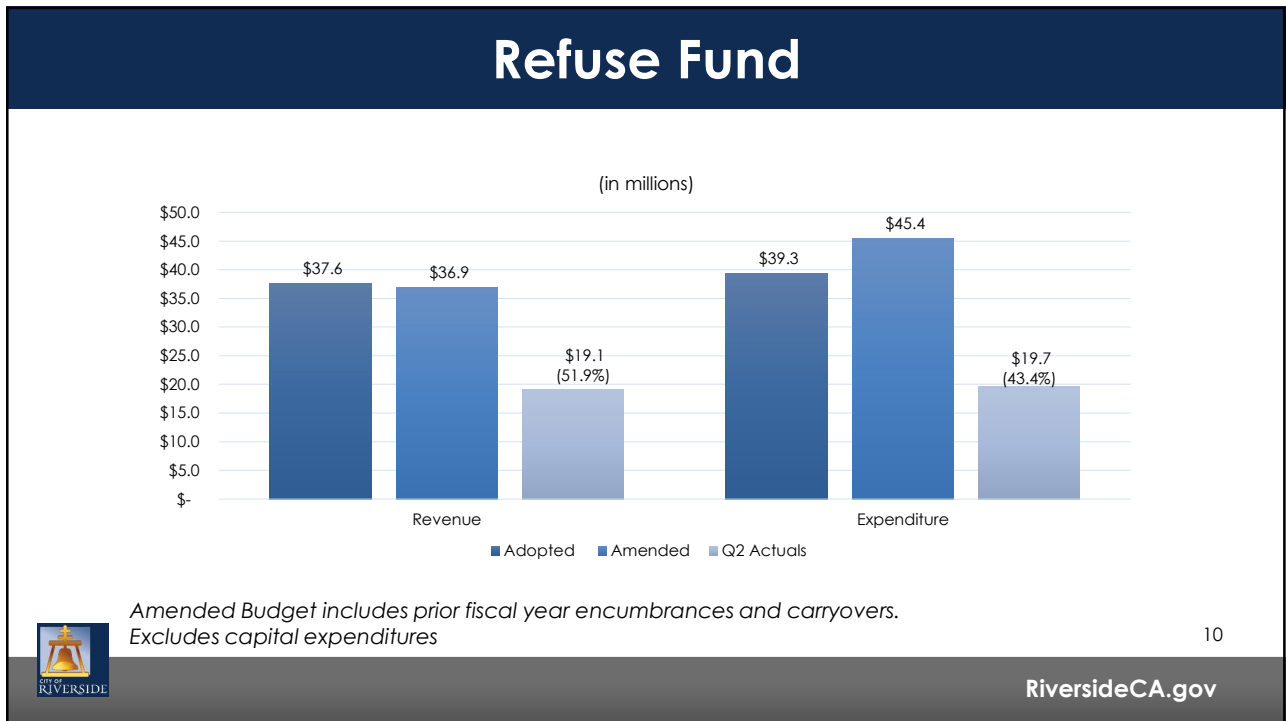
Electric Fund



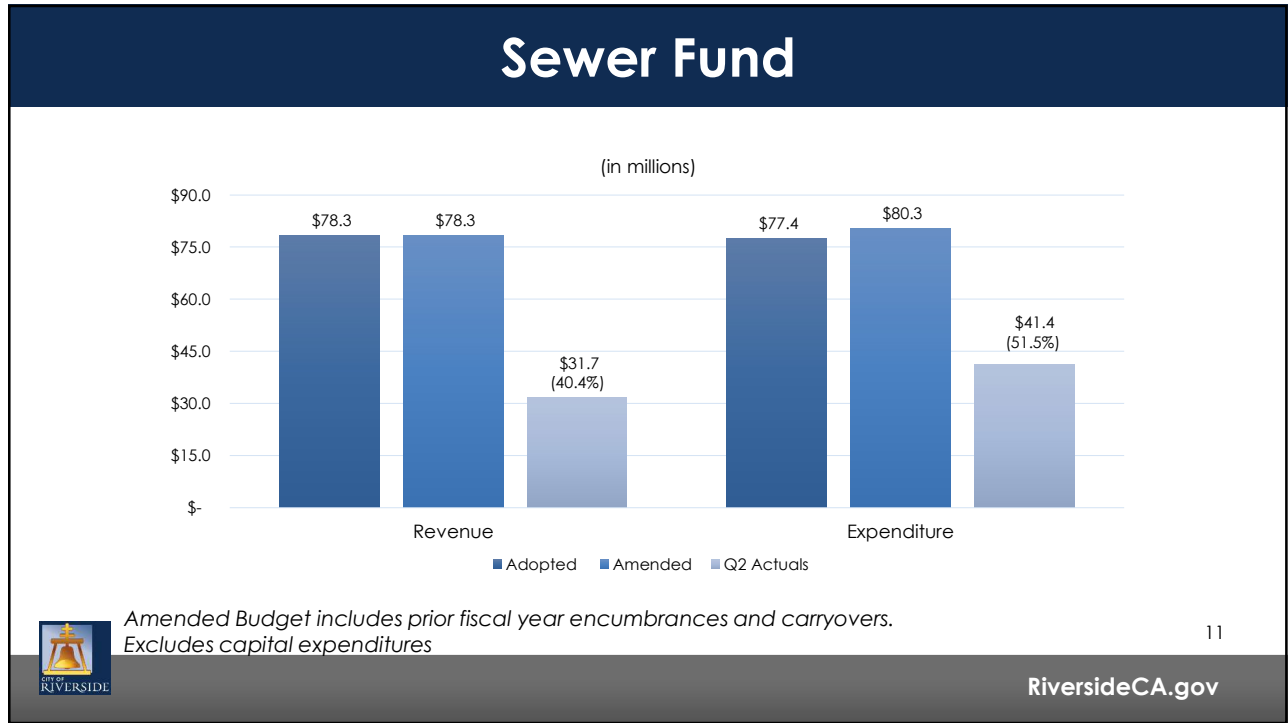
*Amended Budget includes prior fiscal year encumbrances and carryovers.
Excludes bond proceeds and capital expenditures*



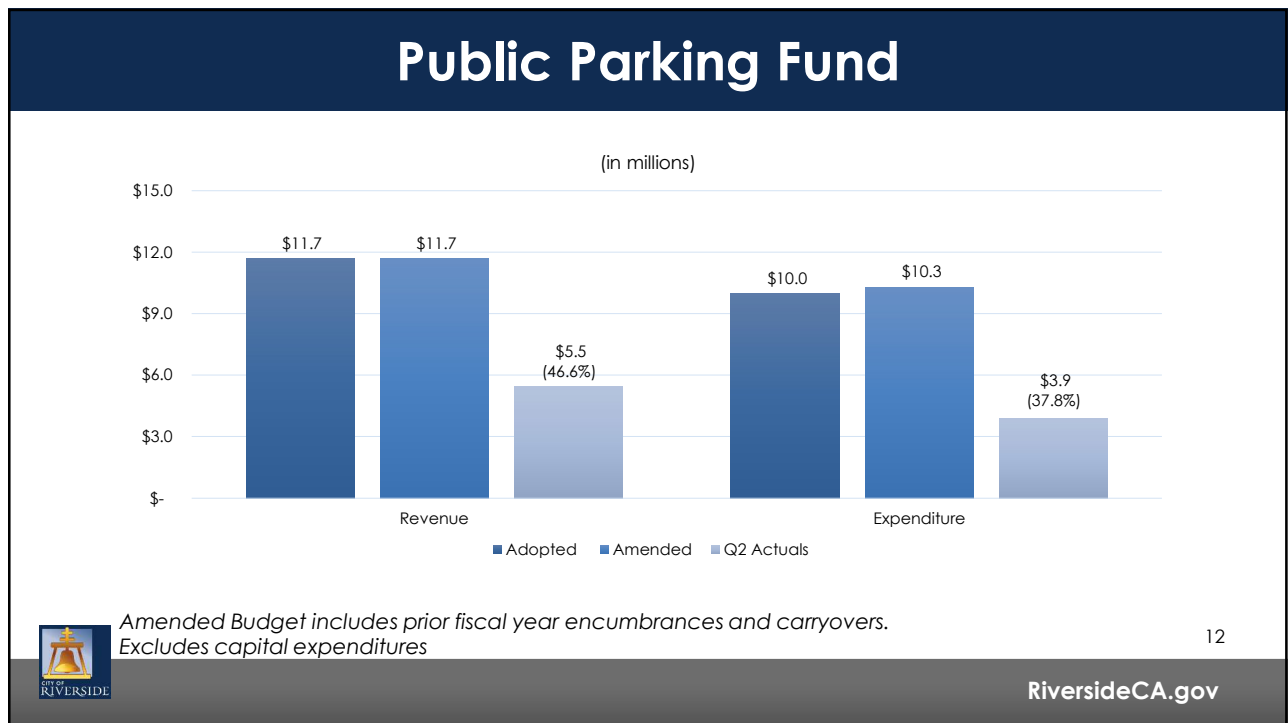
9



10



11



12

RECOMMENDATIONS

That the Budget Engagement Commission Recommend City Council: _____

1. Receive and provide input on the Fiscal Year 2025/26 Second Quarter Financial Update;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record:
 - a) An overall net increase in revenue in the General Fund in the amount of \$4,566,300 in various revenue categories and an overall net decrease in revenue in the amount of \$220,000 in the Measure Z;
 - b) A supplemental appropriations in the amount of \$2,630,000 in the General Fund for various programs and \$744,900 for the Water General Fund Transfer Escrow;



13

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13

RECOMMENDATIONS

- c) A supplemental appropriation and interfund transfer in the amount of \$781,533 from General Fund Infrastructure Reserves to the Capital Outlay Fund, Bordwell Park Project;
- d) Various interdepartmental transfers in the amount of \$2,052,951;
- e) Supplemental appropriations, operating transfers, revenue adjustments, and all other accounting entries from the General, Capital Outlay, CFD Riverwalk Vista, and Redevelopment Successor Agency (RDSA) Bond Funds in the amount of \$426,354.89 to support a pending receivable in RDSA 2007 Bond fund. This operating transfer will be offset by available CFD bond proceeds that will offset the costs of an existing Parks capital project and result in a net zero impact to the General Fund;



14

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14