

On January 16, 2024, the City Council received the First Quarter Financial Update and approved citywide supplemental appropriations of \$1,453,000 for all City funds, including \$1,000,000 from the General Fund Infrastructure Reserves for an interfund transfer to the Airport Fund.

On April 11, 2024, the Budget Engagement Commission received and provided input on the Second Quarter Financial Update and unanimously recommended the City Council approve citywide supplemental appropriations of \$386,133 for all City funds, including \$99,921 in the General Fund, fully offset by adjusted revenue projections.

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DISCUSSION:

Throughout the fiscal year, City departments and the Budget Office monitor and analyze all City funds for potential issues that require attention and mitigating action. For the third-quarter report, City departments analyzed the financial status of all funds and appropriations under their purview. The results of the City's major funds and areas of concern in other funds (if any) are included in this report. This update spans the period of July 2023 through March 2024.

General Fund

The third-quarter analysis indicates a favorable financial outlook for the General Fund. Overall, revenues are performing within the updated budget projections, which were mostly adjusted upward from the adopted budget in the second quarter report. Expenditures are staying within the budgeted appropriation limits, which include budget adjustments approved by the Council during the fiscal year. This positive trend is allowing the City to effectively address challenges faced in the first quarter, such as the escrow of \$8.57 million from Water General Fund Transfer (GFT) revenues, the fiscal impacts of recent labor negotiations, and the economic slowdown affecting sales tax revenue. Additionally, with the second quarter report, the Council approved a \$3.0 million contribution to the General Fund Infrastructure Reserve and \$2.0 million contribution to the Technology Reserve.

Adopted Budget: The adopted FY 2023/24 amended budget for the General Fund totaled \$332.09 million with a projected \$6.41 million surplus. At the time of budget adoption, the surplus was recommended to be preserved as a buffer against the potential impacts of an expected mild recession and other unknown fiscal impacts. In the event of a fiscal year-end budget surplus, the adopted budget included a planned contribution of \$5.00 million to the Infrastructure Reserve, reducing the projected surplus to \$1.41 million.

Revenues: FY 2023/24 General Fund revenues recorded through March 2024 were assessed in the context of FY 2022/23 actual results, performance to date, and potential economic impacts through the end of the fiscal year. The third-quarter analysis reveals that General Fund revenue projections may exceed budgeted revenue estimates by approximately 0.7%, or \$2.49 million, as depicted in the following table:

REVENUE PROJECTIONS

(in millions)	Adopted Amended Budget	Total Budget as of 3/31/2024	Year-End Projection	\$ Change	% Change
Property Taxes	\$ 84.43	\$ 88.83	\$ 88.83	\$ -	0.0%
Sales Tax	94.04	91.94	93.44	1.50	1.63%
Utility Users Tax	33.52	32.92	32.92	-	0.0%
Transient Occupancy Tax	8.58	8.28	8.44	0.16	1.81%
Franchise Fees	5.84	6.59	6.59	-	0.0%
Licenses & Non-Developer Permits	10.03	11.03	11.03	-	0.0%
Non-Development Charges for Services	10.91	10.95	10.95	-	0.0%
Development Fees & Charges	7.37	7.37	7.37	-	0.0%
General Fund Transfer	53.20	53.40	53.40	-	0.0%
Measure Z Transfer	18.27	18.27	18.27	-	0.0%
Other Revenues & Transfers In	7.31	14.40	14.40	-	0.0%
Use of Reserves	-	28.20	28.20	0.83	2.9%
Total Revenues & Transfers In	\$ 333.50	\$ 372.18	\$ 374.67	\$ 2.49	0.7%

The following details updated revenue projections:

- Sales and Use Tax** – For the first half of the fiscal year, the City received \$726,000 in unbudgeted revenue from the March JPA territory tax and revenue sharing agreement with the County of Riverside and surrounding cities. A \$1.50 million increase in sales tax revenue projections is recommended to incorporate the estimated FY 2023/24 revenue for from the March JPA agreement.
- Transient Occupancy Tax (TOT)** – For the first half of the fiscal year, the City received \$78,000 in unbudgeted revenue from the March JPA agreement. Staff recommends increasing TOT revenue projections by \$156,000 to incorporate the estimated FY 2023/24 revenue from the March JPA agreement.

The following details the use of reserves approved by Council during FY 2023/24:

Included in Total Budget as of Third Quarter

- Use of General Fund available fund balance for encumbrances and carryovers carried forward from FY 2022/23 as provided for in the Riverside Municipal Code: \$7,072,747
- Use of General Fund available fund balance for restricted and discretionary carryovers approved by City Council in the FY 2022/23 fourth quarter report: \$5,726,579
- Use of General Fund Insurance Reimbursement Reserves for an interfund transfer from the General Fund to the Public Parking Fund for parking lot construction: \$900,000 on September 19, 2023
- Use of General Fund Infrastructure Reserves for an interfund transfer from the General Fund to the Capital Outlay Fund for the Museum Expansion and Renovation Project: \$10,000,000 on December 12, 2023
- Use of General Fund Infrastructure Reserves for an interfund transfer from the General Fund to the Airport Fund for Airport building remedial repairs: \$1,000,000 on January 16, 2024

- Use of General Fund Infrastructure Reserves for an interfund transfer from the General Fund to the Capital Outlay Fund for the SPC Jesus S. Duran Eastside Library: \$3,500,000 on January 16, 2024

In Addition to the above, Included in the Year-End Projections

- Use of General Fund Infrastructure Reserves for an interfund transfer from the General Fund to the Capital Outlay Fund for the Magnolia Roof Replacement project: \$832,078 on April 30, 2024

Expenditures: The total budget as of third quarter presented in the table below reflects encumbrances and carryovers of \$7.07 million carried forward from FY 2022/23 as provided for in the Riverside Municipal Code; \$5.73 million in restricted and discretionary carryovers approved by City Council in the FY 2022/23 fourth quarter report; as well as supplemental appropriations approved by Council through the third quarter. Year-end projections include a net \$840,000 in supplemental appropriations approved by Council after the close of the third quarter; \$832,000 of these appropriations are offset by the use of General Fund Infrastructure reserves.

EXPENDITURE PROJECTIONS

(in millions)	Adopted Amended Budget	Total Budget as of 3/31/2024	Year-End Projection	Over / (Under) Budget	% Variance
Personnel	\$ 227.54	\$ 228.87	\$ 226.37	\$ (2.50)	-1.1%
CalPERS UAL – Safety	8.95	8.95	8.95	-	0.0%
CalPERS UAL – Miscellaneous	-	-	-	-	0.0%
Non-Personnel Costs	67.40	79.61	79.75	0.14	0.2%
Special Projects	9.65	11.84	11.84	-	0.0%
Minor Capital & Grants	1.30	1.90	1.90	-	0.0%
Debt Service	28.88	28.88	28.88	-	0.0%
Charges To/From	(18.88)	(19.69)	(19.69)	-	0.0%
Cost Allocation Plan	(24.11)	(24.11)	(24.11)	-	0.0%
Transfers to Other Funds	20.92	39.42	40.12	0.70	1.8%
Special Districts Fund Contribution	1.43	1.43	1.43	-	0.0%
Convention Center Fund Contribution	2.27	2.27	2.27	-	0.0%
Entertainment Fund Contribution	0.73	0.73	0.73	-	0.0%
Cheech Marin Center Fund Contribution	1.01	1.01	1.01	-	0.0%
Water GFT Escrow	-	8.57	8.57	-	0.0%
Infrastructure Reserve	-	3.00	3.00	-	0.0%
Technology Reserve	-	2.00	2.00	-	0.0%
Total Expenditures & Transfers Out	\$ 327.09	\$ 374.68	\$ 373.02	\$ (1.66)	-0.4%

The following explains significant items:

- **Personnel** – The personnel expenditures budget incorporates a 5% vacancy rate, equivalent to approximately \$12 million, within a non-departmental fund account. This measure allowed for the allocation of funds to City priorities during the amendment of the

originally adopted budget. However, all positions are fully budgeted within their respective departments, underscoring the City's commitment to filling these positions.

As of the end of the third quarter, the General Fund vacancy rate stood at 10.4%, representing a decrease of 3.1% from the start of the fiscal year. If the current trend of filling positions persists throughout the fiscal year, the projected vacancy rate at year-end is anticipated to be 9.0%, resulting in an average annual projected vacancy rate of 11.4% and projected personnel savings of \$7.48 million. However, this projected personnel savings is offset by recently approved MOU impacts amounting to \$3.32 million. Additionally, overtime is projected to be \$2.00 million over budget, with \$700,000 of this amount reimbursed by Fire Mutual Aid. Of the projected overtime overage, \$1.10 million is attributable to personnel shortages experienced by the Police Department. As a result, the estimated net personnel savings are approximately \$2.50 million.

- **Non-Personnel** – Non-personnel expenses are challenging to project due to fluctuations in the timing of expenditures throughout the fiscal year, as well as the common occurrence of unexpended funds being carried over at the end of the fiscal year. As stated, the total budget includes \$12.80 million in encumbrances and carryovers from the prior year. The year-end projections include supplemental appropriations for professional services contracts recommended for Council approval after the close of the third quarter.

Through the third quarter of FY 2023/24, the City Council approved the following supplemental appropriations in the General Fund, totaling approximately \$24.40 million:

- Riverside New Car Dealers Association (RNCDA) for Business Improvement District (BID) Funding \$100,000 – The City entered into a new agreement with the RNCDA to invest in the BID for five years, at a cost of \$100,000 per year in exchange for advertising time on the electronic sign display.
- Emergency Air Support (Corona) \$120,000 – As-needed emergency air support services to the City of Corona, fully offset by corresponding revenues.
- Temporary Parking Lot Construction at 3460 Orange Street: \$900,000 use of General Fund insurance reimbursement reserves for interfund transfer from the General Fund to the Public Parking Fund.
- Omnicap Group supplemental agreement to master professional services agreement for professional consultant ad-hoc services for arbitrage rebate and swap reporting services fully offset by an increase in revenues: \$14,070
- City of Riverside and OHMIO agreement to purchase or lease autonomous shuttles: \$525,000
- Parks Facility Rental Cleaning (fully offset by deposits): \$12,984
- Department Housing and Human Services – Establish new department with additional staffing: \$503,945
- SPC Jesus S. Duran Eastside Library project interfund transfer from General Fund (offset by Infrastructure Reserves): \$3,500,000
- Museum Expansion and Renovation project interfund transfer from General Fund (offset by Infrastructure Reserves): \$10,000,000
- California Environmental Quality Act (CEQA) environmental review and clearance for a maximum potential development envelope of the proposed Riverside Alive mixed-use project: \$640,959

- Add one FTE in the City Manager’s department to expand the grant administration function: \$54,000
- Memorandum of Understanding (MOU) with the Riverside County Probation Department and Post-Release Accountability and Compliance Team: \$127,000
- Specialized legal assistance for reverse validation lawsuits challenging the validity of City-adopted water rates: \$396,000
- MOU for Reimbursement of Crossing Guard Services with Alvord Unified School District (fully offset by reimbursement revenue): \$160,000
- Interfund transfer from the General Fund to the Grants and Restricted Program Fund, Nonprofit Revolving Loan Fund Account (fully offset with ARPA revenue replacement funds): \$ 2,813,766
- Riverside Police Officer’s Association – Supervisory Unit and Riverside Police Administrator’s Association MOU salaries and employee benefit impacts: \$1,075,000
- Interfund transfer from the General Fund to the Refuse Fund to fund the FY 2023/24 cost of SHARE program (fully offset with ARPA revenue replacement funds): \$83,100
- Transfer Hulen Place project accounts in the amount of \$894,478 from the General Fund to the Grants and Restricted Programs Fund as part of the creation of the Housing and Human Services department.
- Magnolia Roof Replacement project (offset by Infrastructure Reserves): \$832,078
- Donations: \$815
- Interfund transfer from the General Fund to the Airport fund for Airport building remedial repairs (fully offset by Infrastructure Reserves): \$1,000,000
- Mayor’s College Council of Riverside (fully offset by deposits): \$3,000
- Employee Education Reimbursement Program (fully offset with increase in projected vacancy savings): \$250,000
- Payment processing upgrades to comply with Payment Card Industry (PCI) standards (fully offset with increase in projected vacancy savings): \$100,000
- Additional Security Patrols in Wards 5 and 6 (fully offset with increase in projected vacancy savings): \$100,000
- City Clerk direct allocation charges adjustments: \$12,006
- Move \$32,085 from the General Fund, Fire Certified Unified Program Agency (CUPA) – Interfund Services account, to the Grants and Restricted Programs Fund, Fire CUPA – Interfund Services account.
- Installation of traffic signal equipment improvements funded by developer: \$20,000
- Address maintenance, vandalism, theft, and other emergencies at various community centers, parks and aquatics facilities: \$250,000

Summary: Based on year-end projections, the General Fund appears poised to conclude the fiscal year with a net gain of approximately \$1.65 million. This gain is largely attributable to two factors: the strong performance in property taxes and personnel savings resulting from a high vacancy rate. As a result of this positive performance, the General Fund will be able to withstand the current fiscal year challenges of the loss of the Water General Fund Transfer, impacts from

recent labor MOU negotiations, and the economic slowdown in consumer spending impacting sales tax revenue. A portion of this projected net gain will be required to maintain the General Fund’s 20% policy reserves.

GENERAL FUND OVERVIEW

FY 2023/24 (in millions)	Adopted Budget	Total Budget as of 3/31/2024	Projected	\$ Change	% Change
Revenue & Transfers In	\$ 333.50	\$ 343.98	\$ 345.64	\$ 1.66	0.5%
Expenditures & Transfers Out	327.09	361.11	359.45	(1.66)	-0.5%
Balance Before Changes in Reserves	\$ 6.41	\$ (17.13)	\$ (13.78)	\$ 3.32	-19.4%
Changes in Reserves					
Decreases to Reserves	\$ -	\$ 28.20	\$ 29.03	\$ 0.83	2.9%
Water GFT Escrow	-	(8.57)	(8.57)	-	0.0%
Increase Infrastructure Reserve	-	(3.00)	(3.00)	-	0.0%
Increase Technology Reserve	-	(2.00)	(2.00)	-	0.0%
Total Change in Reserves	\$ -	\$ 14.63	\$ 15.46	\$ 0.83	5.7%
Net Surplus/(Deficit)	\$ 6.41	\$ (2.50)	\$ 1.65	\$ 4.15	-166.0%

Budget Adjustments: Throughout the fiscal year, staff assess the need for adjustments to the adopted budget. The following budget adjustments are recommended for Council approval:

- **General Fund Revenue Adjustments (\$1,656,000)** – Staff recommends recording the following General Fund revenue adjustments to incorporate the anticipated revenue from the March JPA agreement:

Revenues Categories	Amount
Sales Tax	\$ 1,500,000
Transient Occupancy Tax	156,000
Total Revenues	\$ 1,656,000

- **General Fund – Finance Department (\$330,000):** Record supplemental appropriations of \$330,000 in the General Fund, Finance Department Professional Services account 231500-421000 for a contract with Harvard/Partners for Public Good (PPG). This partnership will result in a thorough evaluation of the City’s procurement policies and processes and will include improvements in procurement performance, promotion of equitable economic opportunities, and enhancement of sustainable service delivery to the community. PPG will provide hands-on technical assistance, focusing on six key areas: contract management, Disadvantaged Business Enterprise program reform, vendor management, local preference, sustainability planning, and purchasing streamlining. These objectives align with Riverside's Strategic Plan.
- **General Fund – Finance Department (\$260,000):** Record a \$260,000 increase in Business License Tax revenue account 2304000-320000 and a corresponding increase in supplemental appropriations in the General Fund General Fund, Finance Department Professional Services account 2304000-421000. This budget adjustment will accommodate the appropriate accounting for the contract with Hinderliter, de Llamas and Associates (HdL), recording HdL’s contingency revenue produced by the Business Tax Discovery program and other services as an expenditure, rather than netting the cost of services against the revenue collected.

If approved by the City Council, the recommended budget adjustments in this report will increase General Fund budgeted expenditures by \$590,000 and increase revenues by \$1,916,000.

Measure Z

Based on the spending items approved to date and slowing tax revenue performance, Measure Z is projected to end the fiscal year with approximately \$52.23 million in available fund balance. This balance is being strategically drawn down over the five-year spending plan, ensuring that the revenues generated by the one-cent transaction and use tax are allocated to the priorities stated in the related ballot measure. Separately, \$5.00 million is held in contingency reserves per the adopted Measure Z Reserve Policy to ensure sufficient funding for ongoing costs in the event of under-performing revenues.

Revenues: The FY 2023/24 adopted amended budget projected revenues of \$84.46 million. However, due to a decline in consumer spending resulting from the Federal Reserve's efforts to slow the economy, transaction and use tax revenue projections were reduced to \$80.54 million in the second quarter report. As of the third quarter, year-over-year tax revenues are 3.0% below the prior fiscal year but are expected to align with the updated fiscal year projections.

Expenditures: The total budget presented in the Measure Z Spending Status (Attachment 1) reflects encumbrances and carryovers of \$48.65 million carried forward from FY 2022/23 as provided for in the Riverside Municipal Code and approved by Council in December 2023. Measure Z funds many projects and one-time expenditures, causing expenditures to appear to be trending behind budget. However, spending is progressing as planned and within appropriation limits.

Electric Fund

The FY 2023/24 adopted amended budget for the Electric Fund projects a \$9.12 million operating loss due to a planned draw on reserves. This is a financial strategy employed to draw reserves down to keep rate increases as low as possible.

Revenues: As of the end of the third quarter, Electric revenues stand at 80.0% of budgeted projections. With the summer season at the beginning of the fiscal year, projected retail sales were expected to be at 76.7% of total budget through March 2024. Retail sales are at \$269.30 million or 74.3% of total budget through March 2024 and \$8.80 million (3.1%) lower than expected. As of March 31, 2023, the lower than anticipated retail revenues are a result of decreased electric consumption attributed to milder temperatures through the third quarter of the fiscal year. Decreased electric retail sales will contribute to reduced electric expenses. Weather can significantly impact retail revenues, which will be monitored throughout the remainder of the fiscal year.

Transmission revenues are projected to perform 33.3% or \$9.70 million higher than budget. Other operating revenues are at 144.6% of budget due to the sale of surplus emission allowances, as well as excess electricity to external entities above budgeted projections. The total projected fiscal year revenue remains unchanged.

Expenditures: Electric operating expenditures are 74.1% of the total budget at the end of the third quarter. Personnel savings are anticipated due to a vacancy rate of 16.5%. Within the Non-Personnel budget, Power Supply costs are trending 11% over budget due to significantly higher-than-expected increases in market energy and natural gas prices. This increase is expected to be offset by personnel savings.

Water Fund

The FY 2023/24 adopted amended budget for the Water Fund projected an operating gain of \$4.59 million to help pay for capital projects and ensure reserves are maintained at policy levels.

Revenues: As of the end of the third quarter, total revenues stand at 74.5% of budgeted projections. With the summer season at the beginning of the fiscal year, projected retail sales were expected to be at 75.9% of the total budget through March 2023. Actual retail sales are at \$55.60 million or 72.6% of the total budget through March 2023 and 4.4%, or \$2.60 million, lower than expected. Decreased water consumption appears to be driven by the milder temperatures and increased precipitation through the third quarter of the fiscal year. Weather, including precipitation, can significantly impact retail revenues, which will be monitored throughout the remainder of the fiscal year.

Expenditures: At the end of the third quarter, operating expenditures stand at 66.8% of the budget. Personnel savings are anticipated due to a vacancy rate of 15.8%. Non-personnel expenditures are trending 3.1% lower than last year's level of expenditures; however, it is important to note some expenditures vary in their timing throughout the fiscal year. Overall, water expenditures are projected to remain within the budgeted appropriation limit at fiscal year-end.

Refuse (Solid Waste) Fund

The FY 2023/24 adopted amended budget for the Refuse Fund anticipates a draw on fund reserves of approximately \$1.16 million due to the impacts of challenges faced in the refuse industry. The Refuse Fund began the fiscal year with fund reserves of \$6.19 million net of prior year encumbrances and the cash infusion of a combined \$9.00 million in General Fund contributions and ARPA funding for the purchase of Solid Waste Collection and Street Sweeper vehicles, as well as \$2.00 million in ARPA funding for revenue loss replacement. On September 19, 2023, the City Council adopted a resolution approving and establishing the residential solid waste rate structure from November 1, 2023, through June 30, 2028. The five-year residential solid waste rate plan will address the challenges to solid waste services provided by the City. The Refuse Fund is projected to end FY 2023/24 with a net loss of \$1.01 million, excluding capital expenditures.

Revenues: Third-quarter analysis suggests that revenues will meet expectations, inclusive of the November 1, 2023, solid waste rate increase. By the end of the third quarter, service revenues stand at 78.7% of projections and total revenues are 77.3% of projections. Due to the new solid waste rate plan, overall revenues are expected to exceed the budget by \$373,000. With the new rates, it is expected that revenues will begin to exceed expenditures beginning in FY 2026/27.

Expenditures: Operating expenditures are 51.6% of total budget at the end of the third quarter. During this period, the Refuse Fund continued to experience staffing shortages with 14.00 FTE vacancies, constituting a vacancy rate of 22.6%. Due to staffing shortages, overtime costs are anticipated to exceed budget but will be offset by personnel savings. Solid waste staff anticipate filling vacancies by the end of the fiscal year.

Projected overages are expected in the non-personnel budget for internal professional services due to street maintenance and street sweeping staff assisting with residential can delivery for solid waste. Additionally, overages are anticipated in motor fuels and lubricants due to the increased cost of CNG fuel and higher fuel usage from an aging fleet. However, vehicle replacements in FY 2024/25 will reduce these costs. In FY 2022/23, staff issued purchase orders for \$6.12 million for

solid waste collection vehicles and \$2.50 million for street sweeper vehicles. These amounts were encumbered and carried over to the FY 2023/24 total budget for Refuse.

In the third quarter, City Council approved \$130,536 supplemental appropriations for the master software agreement with RubiconSmartCity™ Solid Waste Technology and required in-cab technology. These investments aim to improve operational efficiency, document contamination and other residential violations, and enhance route optimization to ensure compliance with State mandates.

Sewer (Wastewater) Fund

The FY 2023/24 adopted amended budget projects a net operating loss of \$2.65 million. FY 2023/24 third quarter projections indicate that the Sewer Fund will experience a net operating gain of \$5.4M, excluding capital grants and expenditures.

Revenues: The third-quarter analysis indicates that the Sewer Fund operating revenues will exceed expectations by \$4.19 million. By the end of the third quarter, 80.2% of the overall projected revenues have been realized. The largest contributors to this surplus are sewer connection fees, revenues for wastewater contracts with Rubidoux, Jurupa, and Edgemont Community Services, and interest from investments. The increase in Sewer Connection Fee revenue is correlated with the rise in planned development.

Expenditures: Operating expenditures are 72.0% of the total budget at the end of the third quarter. During this period, the Sewer Fund had 21.00 FTE vacancies, constituting a vacancy rate of 17.8%. The high vacancy rate requires staff to work overtime to cover shifts and manage the increased workload. As a result, overages are expected in the overtime budget, which will be offset by personnel vacancy savings.

In the non-personnel budget, costs for chemical supplies are rising due to market volatility, temporary supply shortages, and an unexpected increase in the CPI. Subsequent to the third quarter, Council approved change order increases on four annual purchase orders for various chemicals and \$1.90 million in related supplemental appropriations. This supplemental appropriation is included in the projected operating gain.

Utility Account Delinquencies

The Electric, Water, Refuse and Sewer funds were impacted by the suspension of utility shutoffs in response to the Covid-19 pandemic. In December 2021, Riverside Public Utilities (RPU) provided credits to water and electric customer accounts of \$13.0 million from the California Arrearage Payment Program (CAPP) and California Water and Wastewater Arrearage Management Program (CWWAPP). In May 2022, the City applied credits to customer accounts for the CWWAPP for wastewater utility arrearages in the amount of \$2.3 million. In January 2023, the City applied \$18.6 million in credits to electric customers accounts as part of the General Fund Transfer Settlement.

As of March 31, 2024, the combined delinquent accounts receivable for the four utilities is \$10.51 million, which is \$5.59 million more than March 2020. In August 2022, Riverside Public Utilities (RPU) resumed shut-offs for non-payment along with issuing 48 hour tag notifications. On May 17, 2022, the City Council approved the Restart Utility Bill Repayment (RESTART) Program, which allows utility customers with large past-due balances to enroll in a bill repayment program to pay their delinquent charges over an 18-month period. RPU continues to offer standard twelve-month arrangements for customers with delinquent payments. Of the current \$10.51 million delinquent accounts receivable, \$67,322 will be paid under the RESTART program and \$465,515

will be repaid under the standard installment program. The balance of \$9.97 million remains delinquent without an installment plan. For delinquencies without an installment plan, collection efforts follow Water Shutoff Protection Act regulations, including SB 998, which requires up to 12-month payment plans and prohibits discontinuance for residential customers until 60 days delinquent (previously 30 days pre-Covid). When efforts to establish payment arrangements fail, accounts progress to inactive/shutoff status, including skip trace efforts to collect the debt.

Public Parking Fund

The FY 2023/24 adopted amended budget for the Public Parking Fund anticipates a draw on fund reserves of approximately \$0.48 million. It began the fiscal year with fund reserves of \$3.48 million net of prior year encumbrances and is projected to end the fiscal year with an operating gain of \$3.30 million, excluding capital expenditures.

Parking revenues in the original FY 2022-2024 adopted budget included new parking rates, which were subsequently rescinded. On April 18, 2023, the City Council approved a new Parking Rate and Hour Schedule effective July 1, 2023. These adjustments, along with other related expenditure adjustments, are incorporated into the FY 2023/24 adopted amended budget.

Revenues: The downtown parking operation has experienced a significant turnaround in utilization, leading to a positive annual revenue increase due to the implementation of the Parking Your Way program. This program includes more accessible free parking, new parking rates, expanded hours, new monthly parking programs, the Park Riverside app, and the installation of Parking Access Revenue Control Systems (PARCS) in garages.

The third-quarter comparison to the previous fiscal year shows a 78.2% increase in parking revenues. As of the third quarter, FY 2023/24 net income is projected to be \$1.83 million, an increase of \$1.51 million over the prior year. This increase in funds has allowed for additional security measures, deferred maintenance projects, and consideration of capacity and efficiency-enhancing programs.

Additionally, Parking Enforcement overtime was purposely increased to address the expanded hours of operation. The amount of parking citations issued downtown and citywide has increased parking fine revenues by 13% thus far, compared to FY 2022/23.

Expenditures: Overall, Parking expenditures are 53.0% of the total budget at the end of the third quarter. During this period, the Parking Fund had 4.00 FTE vacancies, constituting a vacancy rate of 21.0%. These shortages, coupled with extended hours of operation, have necessitated the need for overtime. The long-term corrective action involves having sufficient staff with staggered shifts to cover the expanded hours of operation with minimal overtime. Nevertheless, overtime remains a practical solution for providing operational coverage given the current vacancies.

Monthly operating costs for Parking Concepts Inc. (PCI) are higher than expected due to the implementation of the Parking Your Way program. This program includes extended hours of operation, new parking programs, additional staffing, additional credit card transaction fees, equipment installation, and weekly power washing maintenance. In the third quarter, Council approved a contract amendment with PCI and \$1.22 million in supplemental appropriations.

Increased revenues generated from the Parking Your Way program will offset the additional operating expenses with PCI.

STRATEGIC PLAN ALIGNMENT:

The reporting and presentation of financial results support **Strategic Priority 5 – High Performing Government** and **Goal 5.3** - Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

Financial reporting aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Presentation of financial results provides a transparent view and communication of City finances in a forum that accommodates community engagement.
2. **Equity** – The financial report is available to all members of the public via the City website, and the presentation of the financial report in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – The financial report and proposed recommendations demonstrate the City’s commitment to responsible management of the City’s financial resources.
4. **Innovation** – The financial reports, methodologies, and strategies proposed by staff demonstrate innovative management of City finances.
5. **Sustainability & Resiliency** – The financial reports, methodologies, and strategies proposed by staff demonstrate the City’s commitment to the long-term fiscal health of the City and the preservation of City services.

FISCAL IMPACT:

The total fiscal impact of the recommended mid-cycle budget adjustments will increase General Fund budgeted expenditures by \$590,000 and revenues by \$1,916,000.

The General Fund continues to perform better than expected due to overall revenue performance, particularly from property taxes. Additionally, the high vacancy rate experienced through the third quarter is expected to result in personnel savings. These factors are enabling the General Fund to overcome the challenges identified in the first quarter, including the loss of the Water General Fund Transfer, impacts from recent labor MOU negotiations, and the economic slowdown in consumer spending affecting sales tax revenue.

The Measure Z fund projected revenues and available fund balances are at levels sufficient to fund approved spending items. The projected fiscal year-end fund balance will be drawn down over the five-year spending plan in alignment with Measure Z spending priorities.

The City’s Electric and Water funds are expected to remain within their appropriation limits, and fund reserves are expected to remain within policy levels.

The Refuse Fund is projected to end FY 2023/24 with a net loss of \$1.01 million. With the new Solid Waste Rate plan, total revenues are projected to meet expectations, inclusive of the November 1, 2023, solid waste rate increase.

The Sewer Fund is expected to end the fiscal year with an operating gain of \$5.4 million due to high performing sewer connection revenues, wastewater contract revenues, and investment interest.

The Public Parking Fund is projected to end the fiscal year with an operating gain of \$3.3 million, largely attributable to the implementation of the Parking Your Way program which has produced a significant upturn in utilization.

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Attachments:

1. Measure Z Spending Plan
2. Presentation