



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 21, 2024

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: PROPOSED FISCAL YEAR 2024-2026 BIENNIAL BUDGET – SET PUBLIC HEARING

ISSUE:

Receive and provide input on the proposed Fiscal Year 2024-2026 Biennial Budget and set a public hearing for the adoption of the proposed Fiscal Year 2024-2026 Biennial Budget.

RECOMMENDATIONS:

That the City Council:

1. Receive and provide input on the proposed Fiscal Year 2022-2024 Biennial Budget; and
2. Set a public hearing date for adoption of the proposed Fiscal Year 2022-2024 Biennial Budget on June 25, 2024.

COMMITTEE RECOMMENDATION:

The Finance Committee met on April 30, 2024, with Chair Hemenway and Member Robillard present, to consider the proposed Fiscal Year (FY) 2024-2026 Biennial Budget. Following discussion, there was no formal action taken by the Committee.

BOARD AND COMMISSION RECOMMENDATIONS:

On April 8, 2024, the Board of Library Trustees received a presentation on the Library Department’s proposed FY 2024-2026 biennial budget. Following discussion, there was no formal action taken by the Board on this item.

On April 8, 2024, the Board of Public Utilities reviewed and discussed the Public Utility Department’s proposed FY 2024-2026 biennial budget. Following discussion, the Board voted to recommend that the City Council:

1. Approve the Electric Funds (including Public Benefits Fund) proposed Fiscal Year 2024/25 budget totaling \$466.2 million in revenues, \$459.9 million in operating expenditures and \$61.3 million in capital improvements and proposed Fiscal Year 2025/26 budget totaling

\$499.2 million in revenues, \$472.7 million in operating expenditures and \$68.7 million in capital improvements. The difference between revenues and expenditures including capital improvements will be funded by bond proceeds and reserves;

2. Authorize the use of the Designated Electric Fund Dark Fiber Reserve for dark fiber operating lease expenses in the amount of \$0.6 million for Fiscal Year 2024/25 and \$0.7 million for Fiscal Year 2025/26; and
3. Approve the Water Funds (including Water Conservation Fund) proposed for Fiscal Year 2024/25 budget totaling \$100.4 million in revenues, \$97.2 million in operating expenditures and \$29.6 million in capital improvements and proposed Fiscal Year 2025/26 budget totaling \$108.1 million in revenues, \$95.2 million in operating expenditures and \$34.6 million in capital improvements. The difference between revenues and expenditures including capital improvements will be funded by bond proceeds and reserves.

On April 11, 2024, the Planning Commission reviewed the City of Riverside's Capital Improvement Program (CIP) for FY 2024-2026 for consistency with General Plan 2025, and with a unanimous vote:

1. Determined that the City of Riverside's Capital Improvement Program for FY 2024-2026 is not subject to the California Environmental Quality Act (CEQA) review pursuant to CEQA Guidelines Section 15061(b)(3) as this action is not considered a "project" as defined by Section 15378(b)(4), and a determination of consistency has no potential to result in a direct or indirect physical change in the environment;
2. Found that the capital improvement projects added for FY 2024-2026 are consistent with the City's General Plan 2025; and
3. Reports to the City Council that the capital improvement projects added for FY 2024-2026 are consistent with the City's General Plan 2025.

On April 24, 2024, the Museum of Riverside Board reviewed and discussed the Museum of Riverside Department's proposed FY 2024-2026 biennial budget. Following discussion, the Board voted unanimously to recommend that the City Council approve the Department's proposed FY 2024-2026 biennial budget.

The proposed FY 2024-2026 Biennial Budget report was published on April 25, 2024, for the May 9, 2024, Budget Engagement Commission (BEC) meeting. The BEC's recommendations on this topic will be conveyed to the City Council during the verbal presentation of this item.

The proposed budget for the Parks, Recreation and Community Services Department was scheduled to be received by the Park and Recreation Commission on April 15, 2024; however, the meeting was cancelled due to lack of quorum. The report was continued to the Commission meeting date of May 20, 2024. Therefore, the Commission's recommendations on this topic will be conveyed to the City Council during the verbal presentation of this report.

LEGISLATIVE HISTORY:

Several City Charter sections provide the procedural requirements for adoption of the budget by the City Council:

- **Article IV, Section 601(a-c)** requires the City Manager to keep the City Council advised of the financial condition of the City and annually prepare the City's budget and capital improvement plan (CIP) for review and adoption by the City Council.
- **Article VIII, Sec. 806(c):** Planning Commission; Make recommendations concerning proposed infrastructure improvements and redevelopment activities in support of planned land uses.
- **Article VIII, Section 808(c)** requires the Board of Library Trustees to consider the annual budget for library purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- **Article VIII, Section 809(b)** requires the Park and Recreation Commission to consider the annual budget for parks, recreation, parkways and street tree purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- **Article XI, Section 1101** requires that the City Manager shall provide the City Council with a proposed budget at least thirty-five calendar days prior to the beginning of each fiscal year. After review, the City Council shall determine the time for the holding of a public hearing for the budget adoption; the public notice of the budget hearing published no less than twenty days prior to said hearing. Additionally, copies of the proposed budget shall be available for inspection by the public in the office of the City Clerk and on the City's website at least twenty days prior to the public hearing.
- **Article XI, Section 1102 and 1103** requires the City Council to hold the public hearing for the proposed budget adoption, seek public input, and make any revisions to the budget it deems necessary. The City Council may adopt the budget after the public hearing or postpone the date of adoption no later than July 1st.
- **Article XII, Section 1202(a)** requires the Board of Public Utilities to consider the annual budget for the Department of Public Utilities during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.

Additionally, the City Council's Envision Riverside 2025 Strategic Plan includes the following cross-cutting thread (i.e. a major theme that should be reflected in all City outcomes): **Fiscal Responsibility** – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.

BACKGROUND:

The City adopts a two-year budget and prepares five-year plans to promote financial stability, long-term planning, and effective resource allocation. Under a two-year budget cycle, the City can enhance predictability and continuity in financial planning, providing departments with a clear framework for budgeting and operational decision-making. This approach allows for a more comprehensive evaluation of revenue and expenditure trends over an extended period, enabling the City to identify potential financial challenges and opportunities proactively. Additionally, the five-year planning horizon offers a strategic perspective, facilitating the alignment of budget priorities with long-term goals and objectives. This forward-looking approach not only enhances fiscal responsibility but also fosters transparency and accountability in the City's financial

management practices. While the budget cycle occurs every two years, budget development can be considered an evolutionary process as changes are made throughout the two-year cycle after adoption as economic conditions become clearer and new priorities arise.

Baseline Budget

The development of the Fiscal Year (FY) 2024-2026 Biennial Budget began in the Fall of 2023 with the creation of the baseline budget for all city funds, inclusive of updated personnel projections and retirement costs, self-insurance rates, debt obligations, and other known costs. While the baseline budget sets the stage for budgetary planning across all funds, the City prioritizes its focus on the General Fund and Measure Z due to their significance in funding essential services and community programs. Consequently, after creating baseline expenditure budgets for all city funds, additional effort is directed towards these funds, incorporating updated revenue projections and identifying strategic initiatives to enhance revenues and manage costs. The baseline budget helps to inform the City Manager's budget direction to city departments and becomes the starting point for the development of departmental budget proposals.

Community Engagement

While the City budget is developed in alignment with the City's strategic priorities, community outreach and engagement with the City's various Boards and Commissions also plays a crucial and complementary role in the development of the City's budget, serving both as a means to gather valuable input from Riverside residents and business owners and as a mechanism for fostering transparency and inclusivity in the budgetary process. The primary purpose of external engagement in the budget process is to engage with stakeholders, understand their needs, preferences, and priorities, and incorporate these perspectives into the budgetary decision-making process.

Your Money. Your Voice

In October 2023, the City mailed a postcard to city residents, in addition to posting notices on social media platforms Facebook, X, and Instagram, inviting them to upcoming budget workshops in each Ward as well as providing a link to an online survey. During the months of October and November, the City conducted budget workshops titled "Your Money, Your Voice." The budget outreach meetings were paired with community engagement on the 2024/2025 Housing and Urban Development Annual Action Plan. A presentation on current budget allocations was provided, followed by a presentation on Community Development Block Grant (CDBG) and Homeless Housing, Assistance and Prevention (HHAP) grant funding. In-person translation services were made available for individuals who speak Spanish and those who are deaf or hard of hearing. A recording of one of the meetings is available for viewing at <https://riversideca.gov/press/your-money-your-voice>.

The budget survey (Attachment 2), available in Spanish and English at the ward meetings and online, was designed to measure attendees' level of satisfaction with city services and to gain an understanding of what current services, programs, and facilities the Riverside residents deem most important. While the ward meetings were attended by more than 200 residents, the in-person survey was completed by a total of 37 attendees across the seven City wards. The online survey was completed by 18 respondents through November 2023, and an additional 191 responses were received in March and April 2024. The survey helped city leadership to make informed decisions about the allocation of resources for the upcoming budget.

On January 11, 2024, the Budget Engagement Commission (BEC) received a report on the Fiscal Year 2024-2026 Biennial Budget Development and Community Engagement. The report was received and filed without formal motion.

On March 14, 2024, the BEC received a report requesting input on the Measure Z Spending Plan; community survey results collected at the ward meeting accompanied the report. Following discussion, the BEC recommended: (1) add a specific line item to the Measure Z spending plan for seniors and disabled programming in the upcoming FY 2024-2026 biennial budget; (2) recommend staff, during budget development, make it a priority to ensure the Measure Z spending plan does not further a potential deficit; (3) recommend Measure Z is not proposed as a solution to possible General Fund deficit issues in relation to the General Fund Transfer (GFT); and (4) recommend that future community engagement on the budget utilizes the City’s new community engagement policy.

Quality of Life Survey

The City recently received the results of a Quality of Life survey conducted during March and April 2024. The survey, conducted with the assistance of ZenCity, utilized innovative technology to gather and analyze data cost-effectively. A total of 817 residents participated, providing a robust sample set for analysis.

The detailed analysis, including cross-referencing of service importance with satisfaction levels, is presented graphically for easy comprehension (Attachment 3). The primary purpose of the survey was to discover what City residents like most and like least about City operations, diving deeper into specific issues. The survey findings are integral to shaping budgetary decisions, enabling City Council to prioritize funding in alignment with public priorities.

Ongoing Engagement

Community engagement continues at various city boards and commissions, culminating in the presentation of the proposed budget to the City Council in May, followed by adoption in June.

Date	Time	Meeting Body	Subject
April 8, 2024	5:00 P.M.	Board of Library Trustees	Library Preliminary Budget
April 8, 2024	6:30 P.M.	Board of Public Utilities	Public Utilities Preliminary Budget
April 11, 2024	9:00 A.M.	Planning Commission	Proposed CIP Conformance to General Plan
April 15, 2024	6:30 P.M.	Park & Recreation Commission (CANCELED)	Parks, Recreation, & Community Services Department Preliminary Budget
April 24, 2024	3:00 P.M.	Museum of Riverside Board	Museum Preliminary Budget
April 30, 2024	1:00 P.M.	Finance Committee	Budget Workshop
May 9, 2024	5:00 P.M.	Budget Engagement Commission	Proposed Budget
May 20, 2024	6:30 P.M.	Park & Recreation Commission	Parks, Recreation, & Community Services Department Preliminary Budget
May 21, 2024	Afternoon	City Council	Proposed Budget
June 25, 2024	Evening	City Council	Final Budget Adoption

Departmental Budget Proposals

In December of 2024, departments embarked on the critical task of developing their budget proposals in alignment with the City’s strategic objectives. Beginning with comprehensive budget instructions, departments constructed their baseline budgets, focusing on sustaining current

service levels utilizing existing full-time equivalent (FTE) positions. These baseline budgets formed the cornerstone of each department's financial plan, providing a solid foundation from which to address operational needs and foster innovation.

In addition to their baseline budgets, departments submitted supplemental requests aimed at tackling pressing challenges, expanding services, and introducing new initiatives. Departments applied Priority Based Budgeting principles, identifying alignment with the City's strategic plan and justifying the necessity of each proposal by addressing key questions. They were tasked with explaining the nature of their critical needs, articulating the potential impact of not approving the budget request, and outlining how the proposal would benefit city stakeholders.

Following the submission of funding requests, each department engaged in discussions with the City Manager's Office to review and refine their budget proposals. The City Manager's Office thoroughly evaluated each request, assessing its alignment with the City's strategic priorities and adherence to the principles of Priority Based Budgeting. Proposals selected for inclusion in the proposed budget were chosen based on their potential to advance the City's strategic goals, address critical operational needs, and ultimately enhance the quality of life for residents, businesses, and other stakeholders. The items incorporated into the proposed budget represent investments that will not only improve city services but also contribute to the overall prosperity and well-being of the community.

Budget Priorities

Alongside the City's strategic priorities, the following budget priorities were fundamental in the decision-making process during budget development:

- **Financial Stability:** Ensuring the City's fiscal health and resilience by responsibly managing short- and long-term finances. This priority involves setting the appropriate cost recovery for city services currently subsidized by general revenues, identifying new revenue sources through economic growth and innovative solutions; and addressing critical needs in a responsible and sustainable manner.
- **Public Safety:** Prioritizing the safety and well-being of residents by allocating resources to law enforcement, fire protection, and community safety. This includes investing in crime prevention and response capabilities to enhance public safety outcomes.
- **Housing & Homelessness:** Addressing the housing needs of residents and mitigating homelessness through strategic investments in affordable housing, supportive services, and homeless prevention programs. This priority focuses on providing shelter, supportive housing, and pathways to stable housing for vulnerable populations.
- **City Infrastructure:** Investing in the maintenance, improvement, and expansion of essential infrastructure systems such as transportation, parks, and public facilities. This includes repairing aging infrastructure and promoting sustainable infrastructure development to support the City's growth and quality of life.
- **Growing the City's Economy:** Cultivating robust economic growth, job creation, and business development opportunities to fortify the City's financial prosperity and vitality. This priority entails nurturing an environment conducive to business success, attracting fresh investments, bolstering local enterprises, and championing initiatives for workforce advancement. By fostering economic expansion, this priority not only enriches the livelihoods of residents but also amplifies revenue streams for the City, ensuring sustainable financial strength and resilience.

DISCUSSION:

The operating and capital budget are two distinct components of the City's financial planning and management. The operating budget outlines the day-to-day expenses and revenues necessary to sustain ongoing services and programs, covering costs such as employee salaries, maintenance, and utilities. It serves as a blueprint for managing regular operations over a one-year period, funded primarily by taxes, fees, and other sources of income generated by the city's routine activities. In contrast, the capital budget focuses on financing large-scale infrastructure projects and investments with long-term benefits, such as building or upgrading roads, parks, public facilities, and infrastructure. These projects often require significant upfront costs and are funded through bonds, grants, and dedicated revenue streams, addressing the city's future growth and development needs. Together, the operating and capital budgets play crucial roles in ensuring the fiscal health and sustainability of a municipality.

Citywide Budget Overview

The proposed FY 2024-2026 Biennial Budget totals approximately \$1.46 billion in FY 2024/25 and \$1.48 billion in FY 2025/26, including both the City's operating budget and planned capital projects.

Operating Budget

The operating budget alone, encompassing all city funds, totals approximately \$1.32 billion in FY 2024/25 and \$1.34 billion in FY 2025/26. Accounting for 53% of total city revenues, Charges for Services is the city's largest revenue source, and includes fees collected for utility services; parking and transportation; parks and recreational services; and cost recovery fees. Taxes account for 25% of total city revenues, with over 90% originating in the General Fund, inclusive of Measure Z. Non-Personnel costs account for 36% of the citywide operating budget; however, approximately 50% of this category pertains to power and energy supply purchases in the Electric fund. Personnel costs total 32% of the citywide operating budget.

CITYWIDE BUDGET SUMMARY - OPERATING		
FY 2024-2026 Proposed Biennial Budget		
	<u>FY 2024/25</u>	<u>FY 2025/26</u>
<u>Incoming Resources</u>		
Taxes	\$ 340,837,518	\$ 351,782,743
Licenses & Permits	20,955,703	22,507,171
Intergovernmental	44,784,010	45,809,562
Charges for Services	717,961,904	765,756,765
Fines & Forfeitures	5,675,039	6,127,203
Special Assessments	11,852,934	11,936,193
Miscellaneous	54,564,767	44,150,678
Rents	2,829,400	2,983,600
Other Financing Sources	5,781,000	2,309,375
Debt Transfers In	39,711,510	41,804,977
Operating Transfers In	115,171,560	114,946,265
Use of 115 Trust Set-Aside Fund	4,764,089	4,351,712
Total Incoming Resources	\$ 1,364,889,434	\$ 1,414,466,244
<u>Outgoing Resources</u>		
Personnel Services	\$424,996,485	\$450,129,933
Non-personnel Expenses	477,835,055	488,375,896
Special Projects	76,432,509	76,276,262
Equipment Outlay	17,759,162	6,375,495
Debt Service	189,852,407	186,859,479
Minor Capital	1,369,722	1,421,751
Charges from Others	99,208,831	101,315,039
Charges to Others	(131,325,175)	(137,917,610)
Debt Transfers Out	39,711,510	41,804,977
Operating Transfers Out	115,171,560	114,946,265
Escrow of Water GFT	8,429,410	9,086,005
Total Outgoing Resources	\$ 1,319,441,476	\$ 1,338,673,492
Net Operating Budget Across all Funds	\$ 45,447,958	\$ 75,792,752

Capital Budget

The City of Riverside prepares a Capital Improvement Plan (CIP), which is a strategic tool for aligning capital project needs with available financial resources. Capital projects are funded through available operating revenues, bond proceeds, grants, fund reserves, and other funding sources. Bond and grant revenues are not typically included in the proposed budget but are budgeted when the bond is issued or when a grant is awarded and approved by the City Council for use on a capital project. The initial phase of the CIP, referred to as the capital budget, outlines planned expenditures for the first two fiscal years.

The proposed FY 2024-2026 Capital Improvement Plan (CIP) totals approximately \$137.47 million (M) in FY 2024/25 and \$140.8M in FY 2025/26. Approximately 70% of the CIP budget resides with Riverside Public Utilities and focuses on maintaining the City's electric and water infrastructure. Another 20% of the CIP is dedicated to Transportation projects, encompassing activities such as extending and widening streets, street resurfacing, constructing curbs, gutters,

center medians, bikeways, and pedestrian facilities, as well as right-of-way acquisition and traffic signal improvements.

Refer to the Capital Improvement Plan (Attachment 1C) for a detailed listing of capital projects and project descriptions.

CITYWIDE BUDGET SUMMARY - CAPITAL		
FY 2024-2026 Proposed Capital Budget		
	FY 2024/25	FY 2025/26
<u>Funding Sources</u>		
Electric Utility	\$ 61,322,116	\$ 68,722,302
Water Utility	29,569,277	34,573,077
Transportation Funds	17,484,615	15,725,876
Measure Z Tax Revenue	17,532,500	16,975,000
Sewer	9,920,000	3,800,000
Other	1,645,000	1,000,000
Total Funding Sources	\$ 137,473,508	\$ 140,796,255
<u>Funding Uses</u>		
Electric	\$ 61,322,116	\$ 68,722,302
Municipal Buildings and Facilities	6,057,500	5,500,000
Public Parking	1,545,000	900,000
Sewer	9,920,000	3,800,000
Storm Drain	100,000	100,000
Transportation	28,959,615	27,200,876
Water	29,569,277	34,573,077
Total Funding Uses	\$ 137,473,508	\$ 140,796,255

General Fund and Measure Z

In order to ensure transparency and accuracy in financial reporting, it's essential to recognize that Measure Z, despite its designation as a separate sales tax, is fundamentally intertwined with the General Fund. While the Measure Z tax revenue is earmarked for specific programs and initiatives through the Measure Z Spending Plan, it ultimately functions as an extension of the General Fund, providing vital support for essential city services and operations. A combined budget presentation of the General Fund and Measure Z operating funds will provide a more accurate portrayal of how taxpayer dollars are allocated and utilized to meet the needs of the community. Presenting these funds separately can inadvertently distort the true picture of financial priorities and challenges, particularly when analyzing key metrics such as the percentage of public safety costs relative to the total budget. By consolidating the General Fund and Measure Z budgets into a unified view for budget presentation purposes, stakeholders can gain a clearer understanding of how general fund tax dollars are allocated to the City's strategic priorities and ensure accountability in the budgeting process. This mode of presentation will enhance transparency, facilitate more informed decision-making, and foster public trust in responsible fiscal management.

The Measure Z Spending Plan (Attachment 1E) will continue to be maintained and included in the budget schedules as an independent and valuable tool to track the specific allocation of Measure Z resources. Within the budget presentation, the Measure Z capital fund, which is included in the Measure Z Spending Plan, is not presented with the General Fund and Measure Z operating funds

due to the distinct nature of capital expenditures. Operating funds are primarily designated for day-to-day operational expenses, while capital funds are specifically allocated for long-term investments in infrastructure projects, equipment purchases, and facility improvements.

The General Fund Long-Term Plan (Attachment 1E) provides a transparent view of the General Fund budget and the challenges existing separately of the Measure Z revenue source and spending allocations.

The proposed FY 2024-2026 General Fund budget presented, inclusive of the Measure Z operating fund, totals approximately \$438.53M in FY 2024/25 and \$446.20M in FY 2025/26, and is balanced. The General Fund budget accounts for approximately 35% of the citywide operating budget, which is consistent with prior years. The escrow of the Water General Fund Transfer (GFT) and use of 115 Trust Set-Aside funds is presented separately in the following table.

GENERAL FUND COMBINED BUDGET SUMMARY - OPERATING
Proposed FY 2024-2026 Biennial Budget

	<u>FY 2024/25</u>	<u>FY 2025/26</u>
<u>Incoming Resources</u>		
Property Tax	\$ 92,590,680	\$ 97,220,210
Sales Tax - General	93,841,056	96,581,194
Sales Tax – Measure Z	83,715,000	86,197,000
Cannabis Tax	500,000	1,000,000
Utility Users Tax	34,942,616	37,155,220
Transient Occupancy Tax	8,708,750	8,969,985
Licenses & Non-Developer Permits	11,957,737	12,998,537
Charges for Services	20,497,385	20,901,722
Other Financing Sources	5,125,000	1,650,000
General Fund Transfer - Electric	44,882,200	47,015,500
General Fund Transfer - Water	8,522,700	9,183,200
Other Revenues	17,051,229	17,368,081
Use of 115 Trust Set-Aside Fund	4,764,089	4,351,712
Measure Z Reserves Drawdown	19,951,792	14,791,844
Total Incoming Resources	\$ 447,050,234	\$ 455,384,205
<u>Outgoing Resources</u>		
Personnel	\$ 283,994,362	\$ 298,145,977
Vacancy Factor	(16,041,253)	(16,389,516)
CalPERS UAL	12,950,212	18,810,285
Section 115 Trust Contributions	12,000,000	9,000,000
Non-Personnel	89,313,641	87,528,139
Special Projects	23,745,718	22,350,376
Minor Capital	9,769,585	3,144,683
Capital Projects	17,532,500	16,975,000
Debt Service	39,894,053	42,185,926
Charges to/from Others	(42,443,620)	(43,649,561)
Fund Subsidies	2,585,764	2,678,604
Operating Contributions to Others	5,226,572	5,421,092
Escrow Water GFT	8,522,700	9,183,200
Total Outgoing Resources	\$ 447,050,234	\$ 455,384,205
Balanced Budget	\$ -	\$ -

General Fund Budget Overview

The General Fund Long-Term Plan (Attachment 1E) outlines budget challenges and strategies employed to achieve a balanced budget, as mandated by the Balanced Budget Fiscal Policy adopted by the City Council on February 20, 2018. Two major challenges have required innovative fiscal strategies to balance the budget: the potential loss of the Water General Fund Transfer and the rising cost of the California Public Employees' Retirement System Unfunded Accrued Liability (CalPERS UAL). Additionally, the proposed budget incorporates an initial plan to address critical ongoing infrastructure needs.

WATER GENERAL FUND TRANSFER

The Water General Fund Transfer (GFT) accounts for approximately 5% of ongoing General Fund revenues. On September 19, 2023, the City Council directed that all future Water GFT collections

be placed in a reserve account pending the outcome of litigation. The General Fund Long-Term Plan reflects this potential revenue loss at an estimated \$8.52M to \$11.26M over the five-year plan, or \$49.31M over the next five years.

On December 19, 2023, the City Council directed that \$20M of the FY 2022/23 year-end surplus and \$15M of other General Fund reserves be used to offset Section 115 Trust contributions as needed, allowing the relieved funds to be used to close deficits caused by the Water GFT revenue loss. This one-time source of funds will be used to fund Section 115 Trust contributions to achieve the trust fund balances needed to smooth anticipated increased PERS payments in the future, as detailed below.

RISING RETIREMENT COSTS

Rising retirement costs continue to have a significant impact on the City’s long-term financial stability. The CalPERS UAL changes annually in response to CalPERS’ updated actuarial assumptions and actual interest earnings. CalPERS investment returns have fluctuated significantly over the last ten years, leading to swings in funding levels reported in CalPERS actuarial reports and projected payments toward the UAL.

As of the most recent actuarial reports dated July 2023, the City’s funded status and UAL balances, based on the market value of assets and actuarial assumptions, are listed in the following table. A funded ratio of 100% implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% implies that in addition to normal costs, payments toward the UAL will be required.

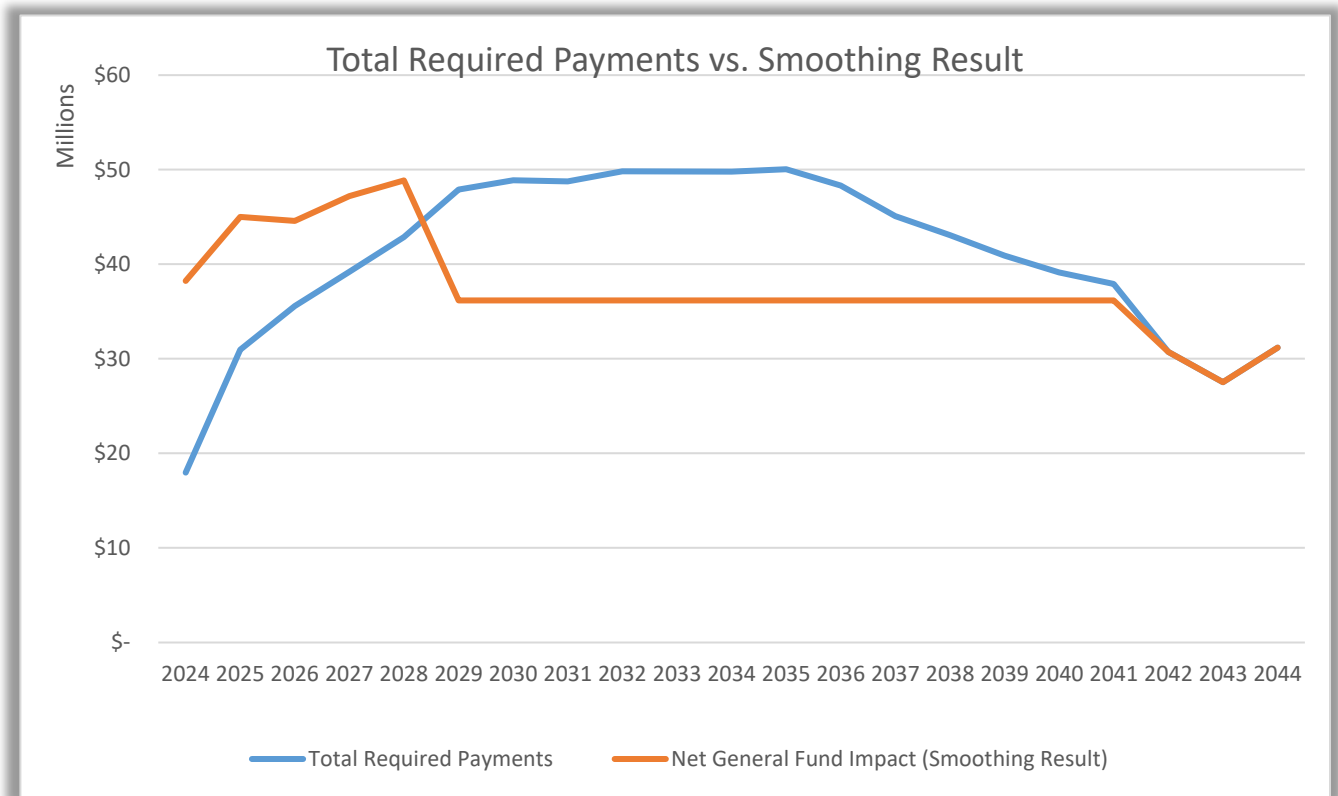
Group	Funded Ratio	UAL Balance 6/30/2022	General Fund Share
Safety	86.4%	\$184,603,735	100%
Miscellaneous	89.9%	\$166,149,120	45%
Total		\$350,752,855	\$259,370,839

The City has employed several strategies over the fiscal years to address rising CalPERS costs, including issuing a Pension Obligation Bond and establishing a Section 115 Trust. Both strategies are intended to smooth fluctuations in the required annual CalPERS UAL payments and minimize the fiscal impact of significant increases that could disrupt the City’s ability to maintain service levels and fund ongoing operations.

The UAL payments are projected to reach a maximum level in seven years, increasing from the FY 2024/25 required payment of \$13.3M to \$28.7M in FY 2030/31. By FY 2031/32, the combined POB and UAL payments will reach nearly \$50M, compared to the FY 2024/25 combined payment of \$31M. This gives the City a limited amount of time to make contributions to the Section 115 Trust in preparation for these rising costs.

(\$ in millions)	Required UAL Payment	Required POB Payment	Total Required Payment	% Increase over Baseline
Fiscal Year				
FY 2024/25	\$13.3	\$17.6	\$31.0	Baseline
FY 2025/26	\$18.1	\$17.5	\$35.6	15%
FY 2026/27	\$21.0	\$18.2	\$39.2	27%
FY 2027/28	\$23.9	\$19.0	\$42.9	38%
FY 2028/29	\$28.1	\$19.7	\$47.9	55%
FY 2029/30	\$28.4	\$20.4	\$48.9	58%
FY 2030/31	\$28.7	\$20.0	\$48.8	58%
FY 2031/32	\$27.2	\$22.6	\$49.8	61%

Section 115 Trust contributions in the FY 2024-2026 Biennial Budget total \$21M; the General Fund Long-Term Plan includes total contributions of \$35M over five years. The proposed contributions are projected to achieve level annual payments of \$36.17M beginning in FY 2028/29, offsetting a projected fiscal impact of more than \$11.7M annually. This strategic allocation ensures that the funds required for these purposes are secured through separate channels, thereby alleviating the need to search for additional resources within the operating budget.



INFRASTRUCTURE INVESTMENTS

Following several years of structural deficits in the General Fund, the City has struggled to allocate funding toward capital needs. Historically, capital investments have largely been funded through debt financing, such as the issuance of 2008 Certificates of Participation for street improvements, and Riverside Renaissance Tax Allocation Bonds for new facilities and capital improvements. However, debt financing does not provide a sustainable method to fund annual and ongoing needs for infrastructure repairs and maintenance.

In recent years, the establishment of an Infrastructure Reserve and a Technology Reserve has been made possible by allocating General Fund surpluses resulting from unexpected revenue growth and personnel savings. Since its establishment, the Infrastructure Reserve has provided more than \$21.5M for one-time critical infrastructure needs. However, a more sustainable and strategic financial plan for ongoing infrastructure requirements is required.

Infrastructure investments through the annual budget process are recommended in the following areas:

- **Repairs & Maintenance:** This category typically includes routine and minor repairs necessary to maintain the functionality and operational efficiency of existing facilities or equipment. It covers regular upkeep activities such as fixing leaks, repairing minor damage, and conducting preventive maintenance tasks. Repairs and maintenance expenses are recurring and are often budgeted as operational costs. They are essential for preserving the condition and longevity of assets but do not involve significant alterations or enhancements to the facility's structure or systems.
- **Facilities Capital Maintenance:** Facilities Capital Maintenance refers to large-scale or significant maintenance activities that involve capital expenditures. These projects aim to maintain, repair, or upgrade major components or systems of a facility to extend its useful life, enhance its functionality, or comply with regulatory standards. Examples include replacing a roof, renovating HVAC systems, upgrading electrical wiring, or refurbishing building interiors. Unlike routine repairs and maintenance, capital maintenance projects often require substantial investment and may involve significant alterations or improvements to the facility. As such, they are typically budgeted separately from routine maintenance expenses and are considered capital investments in the long-term sustainability of city facilities.
- **Pavement Management Program (PMP):** This category aims to optimize infrastructure investments and ensure the safety, functionality, and longevity of the street network through proactive maintenance and data-driven decision-making. Current funding sources for the PMP include Measure Z, Gas Tax, and Measure A, approximating \$24M annually. However, annual funding of \$41M is required to maintain the City's current Pavement Condition Index (PCI) score of 59. To increase the PCI by an additional five points would require an additional contribution of \$41M annually for five years.

Staff routinely look for new and supplemental funding for streets projects, including advocating for grant and partnership funding. The Riverside County Transportation Commission (RCTC) is considering placing a Traffic Relief Plan measure on the November 2024 ballot; if approved, the City anticipates receiving approximately \$6.7M annually to support paving projects. Additionally, Public Works has engaged a consultant to prepare a fee study for a Trench Fee which would assess a new charge on contractors, utility companies, and developers who trench City streets, as these impacts reduce the service life of roads. This fee could generate between \$500,000 and \$1M annually.

- **Vehicle Replacement:** The City's vehicles fall into four categories: Fleet vehicles, where replacement funding is integrated into the usage costs billed to city departments; Police Vehicles and Fire Vehicles/Apparatus, with replacement plans funded by Measure Z; and all other vehicles and heavy-duty equipment owned by individual city departments. This last category encompasses vehicles allocated to field staff as well as heavy-duty equipment utilized for tasks such as street paving. Currently, there is no replacement plan for these vehicles and equipment, despite many of them aging and being in need of replacement.

- **Technology Upgrade/Replacement:** Currently, there is no allocated budget for hardware or software that is reaching its end of life. Moreover, many of the City's technology systems and infrastructure are aging and require either upgrades or replacement. This lack of investment directly hampers the City's capacity to achieve operational efficiencies through technology utilization. A structured technology replacement plan, along with corresponding funding, is imperative to ensure the timely replacement of critical hardware before failure and to update existing software before it reaches the end of vendor support.

As an initial step to address these ongoing critical needs, the proposed budget includes \$5M annually, sourced from the Measure Z fund for the first two years, as listed below. Subsequently, the allocation will be split between the General Fund and Measure Z fund over the following three years, as outlined in their respective long-term plans.

- Spending Item #28 – Deferred Maintenance: An increase in this line item of \$800,000 for Repairs & Maintenance and \$1.2M for Facilities Capital Maintenance, to a total of \$4M.
- Spending Item #29 – Maximize Roads/Streets (Pavement Condition Index): An increase of \$1.6M for the Pavement Management Program, to a total of \$12.45M in Measure Z and approximate total funding of \$25.6M annually.
- Spending Item #33 – Technology Improvements: An increase of \$800,000 for Technology Upgrade/Replacement, to a total of \$2.3M.
- Spending Item #57 – Non-Safety Vehicles: An annual allocation of \$600,000. A separate allocation of \$1M annually for this purpose has also been added to the Measure Z Spending Plan in this line item, as the initial allocation was determined to be insufficient to meet current and projected needs. The total for non-safety vehicles is \$1.6M.

Revenue Projections

Revenue projections are based on a variety of factors, including historical and recent revenue trends, economic conditions and forecasts, advice from sales and property tax consultants, and other relevant factors. Some projections are contingent upon future Council actions, such as setting the rate for a cannabis tax and approving increases in fees and charges for services currently heavily subsidized by general purpose revenues. Recommendations for fees and charges will be presented to the Council in a phased approach, with the first set accompanying the budget and the second set scheduled for presentation in the summer. Additionally, the cannabis tax proposal will be brought before the Council for consideration in the near-term.

Major revenue assumptions are as follows:

- **Property Tax:** Over the past decade, the City has experienced significant growth in assessed property values. In FY 2023/24 alone, assessed values increased by 8.2%. Additionally, property tax revenue from successor agencies (previously subject to redevelopment) in FY 2022/23 grew by a substantial 19.0% compared to the prior year. Overall, property tax revenues for FY 2023/24 are projected to be 7.3% higher than actual revenues recorded in FY 2022/23.

Looking ahead, the budget anticipates annual property tax revenue growth of 4.2% in FY 2024/25 followed by a 5% increase in subsequent fiscal years. The budget also includes an estimated \$900,000 in revenue from the Redevelopment Property Tax Trust Fund (RPTTF) from the March JPA territory tax and revenue sharing agreement with the County of Riverside and surrounding cities.

- **Sales Tax (General Fund and Measure Z):** In FY 2023/24, inflation significantly subsided actions to curtail the impacts of inflationary pressures. The Federal Reserve's interest rate hikes increased borrowing costs for homes, vehicles, and equipment, dampening consumer and business spending. Consequently, FY 2023/24 General Fund sales tax is trending 1.5% lower than FY 2022/23, with Measure Z transaction and use taxes showing a 4.5% decrease.

Based on the City's sales tax consultant's (HdL) projection of a decline in interest rates in the latter half of 2024, budget forecasts a modest 1.5% growth in General Fund sales tax for FY 2024/25 and 3.0% growth in FY 2025/26, followed by an annual trend of approximately 3.2% growth in the out years. For Measure Z sales tax, HdL projects a 2.1% growth in FY 2024/25 and 2.9% in FY 2025/26, with an annual growth rate of approximately 3.2% in the out years.

The budget also includes estimated yearly sales tax revenue of \$1.5M due to the March JPA agreement, with an annual growth assumption of 2%.

- **Cannabis Tax:** Riverside voters approved Measure B on the March 5, 2024 ballot. This cannabis business tax measure authorizes the City Council to set a cannabis tax of up to 10% on gross receipts from cannabis businesses, potentially generating \$2M or more annually for general city purposes. Conservatively, the projected revenue for FY 2024/25 is \$500,000, reflecting the initial growth phase of cannabis sales, with an anticipated increase to \$1M in subsequent years.
- **Transient Occupancy Tax (TOT):** Following two years of pandemic restrictions, TOT revenues surged 51.0% in FY 2021/22 compared to the prior year, driven by the rebound effect as travel restrictions eased. However, FY 2022/23 collections experienced a slight 2.0% year-over-year decrease, likely due to inflation impacting travel. FY 2023/24 collections are trending currently 3.4% below the prior year, indicating a temporary slowdown. The budget includes a modest annual growth rate of 3%, based on an anticipated recovery in travel and the estimated completion of a new hotel in FY 2025/26. Additionally, the budget includes a projected \$160,000 in TOT revenue, with 3% annual growth, from the March JPA agreement.
- **Licenses & Non-Developer Permits:** The ongoing Business Tax Discovery Program is anticipated to generate new ongoing revenue of \$1.0 to \$1.5M annually as business are brought into full compliance with Riverside Municipal Code (RMC) Section 5.04 – Taxes, Licenses and Regulations.
- **Charges for Services:** The proposed budget includes projections for fee and charge increases resulting from the FY 2024/25 User Fees and Charges study which will be brought forth for Council approval. Any deviation from the recommended changes will impact revenue assumptions. The request for fee increases will be recommended for Council adoption in two phases, with the first set aligning with budget adoption and the second set scheduled for the summer. The last study on user fees and charges was conducted nine years ago, with fee increases approved by the City Council in September 2015.
- **Other Financing Sources:** The proposed budget includes an anticipated \$3.2M from the March JPA agreement for land sales in FY 2024/25, with \$1.7M projected annually in each subsequent year of the five-year plan. Additionally, the FY 2024/25 projection includes an estimated \$2.0M for the sale of two surplus Police department helicopters.
- **Measure Z Reserves Drawdown:** The Measure Z Fund currently holds reserves exceeding the policy reserve balance of \$5M. These reserves are being drawn down to finance various multi-year projects and one-time funding proposals. For a comprehensive

overview of Measure Z spending allocations, refer to the Measure Z Spending Plan (Attachment 1E).

Expenditure Projections

In the General Fund Long-Term Plan (Attachment 1E), three-line items represent departments' discretionary budgets: Non-Personnel – Discretionary, Special Projects, and Minor Capital. Personnel changes and highlights for departmental budgets are provided later in this report. While other line items are budgeted within departmental budgets, they are largely beyond departments' control. Major assumptions related to those items are as follows:

- **Personnel and Vacancy Factor:** Personnel costs are budgeted based on current salaries and benefits for existing staff, along with mid-range estimates for vacant positions. This budget incorporates assumptions regarding salary and benefit increases, including merit raises and current Memorandums of Understanding. Additionally, it accounts for escalating costs to proactively anticipate future labor negotiations beyond the two-year budget. This helps to ensure a more realistic projection of future expenditures related to employee compensation. This approach mitigates budget shortfalls and surprises due to currently unknown future labor pressures. It also enables better resource allocation over the entire 5-year General Fund Long-Term Plan without overcommitting resources now and potentially generating long term pressures on the general fund and creation of a structural deficit.

Acknowledging the City's ongoing recruitment and hiring challenges, along with the natural savings generated by the gap between departing and incoming employees, vacancy savings have been projected for each fiscal year. These savings serve as a reduction in the overall personnel budget. It is important to note that the vacancy factor is not a target for departments, as the City is committed to promptly filling all vacant positions to address workload issues and provide quality services. Therefore, the vacancy savings are recorded within the Non-Departmental budget. Throughout the fiscal year, actual costs are closely monitored, and budget adjustments will be recommended in the quarterly financial reports as necessary, ensuring fiscal responsibility and transparency.

- **CalPERS UAL and Section 115 Trust:** The UAL projections are based on the most recent actuarial reports issued by CalPERS. While the FY 2024/25 required payment is fixed, the FY 2025/26 amount is an estimate by CalPERS, determined based on assumed investment earnings and other factors. As detailed earlier in this report, the Section 115 Trust contributions aim to mitigate the fiscal impact of increasing retirement costs.
- **Minor Capital and Capital Projects:** The combined General Fund and Measure Z budget allocate a total of \$5M for infrastructure investments across various categories, as detailed earlier in this report. Within the \$9.77M designated for minor capital expenses, additional items such as \$5.3M for Police radios, vehicle and equipment purchases, capital leases, and more are budgeted.

The \$17.53M allocated for Capital Projects reflects the transfer of Measure Z revenue from the Measure Z operating fund to the Measure Z capital fund. This transfer provides funding for proposed capital projects budgeted within the capital fund. A portion of the \$5M designated for infrastructure investments, including funds for the Pavement Management Program, is budgeted within the Measure Z capital fund, with this transfer facilitating the funding process.

- **Debt Service and Contributions To:** The updated General Fund Long Term Plan includes the reclassification of debt service obligations for the Convention Center and The Fox from the "Contribution To..." line items to the "Debt Service" line item. This reclassification

enhances transparency regarding the necessary financial support for the operating costs of these entertainment venues.

Additionally, within the Measure Z Fund, the anticipated debt obligations for the Museum Renovation and Police Headquarters have been updated to reflect estimated obligations for 30-year debt issuances. The revised financing strategy ensures realistic and sustainable repayment schedules while enabling continued investment in vital projects and services. Furthermore, the revised repayment timeframe distributes project costs equitably over an extended period, enhancing generational equity and preventing undue burden on any one generation of taxpayers.

Reserve Balances

The following reserve balances are based on the FY 2023/24 Second Quarter (Q2) Financial Report balances plus projected uses of reserves. Some projected uses of reserves will require Council action through the approval of supplemental requests in FY 2023/24.

PROJECTED RESERVE BALANCES			
	Beginning Balance (Q2)	Proposed Adds/Uses	Projected Ending Balance
<u>General Fund</u>			
Emergency Reserve (15%)	\$ 49.06	\$ -	\$ 49.06
Contingency Reserve (5%)	16.36	-	16.36
Infrastructure Reserve (Projected)	18.29	(11.49)	6.80
Technology Reserve	5.00	-	5.00
Insurance Reserve (Projected)	2.00	(2.00)	-
Section 115 Trust Set-Aside (Projected)	35.00	(9.11)	25.89
Total General Fund	\$ 125.71	\$ (22.60)	\$ 103.11
<u>Other General Funds</u>			
Section 115 Trust Fund (Projected)	\$ 32.72	\$ 41.26	\$ 73.98
Measure Z Policy Reserve	5.00	-	5.00
Total Reserves – All General Funds	\$ 163.43	\$ 18.66	\$ 182.09

- **General Fund Policy Reserves:** The General Fund Reserve Policy adopted by the City Council in September 2016 requires a 20% reserve balance, calculated as a percentage of budgeted General Fund expenditures. Per policy guidance, the 20% reserve is allocated between the Emergency Reserve and Contingency Reserve.
- **Infrastructure Reserve:** The balance in the FY 2023/24 Q2 report was \$15.29M. The City Council approved the addition of \$3M to the reserve from a projected fiscal-year end General Fund surplus, bringing the beginning balance to \$18.29M. Proposed uses of \$6.5M have been approved by the City Council in FY 2023/24; additional uses totaling \$4.9M, funding an additional six critical needs, are expected to be presented for Council approval in the near future. The proposed FY 2024-2026 biennial budget does not include any proposed uses of the Infrastructure Reserve.
- **Technology Reserve:** The balance in the FY 2023/24 Q2 report was \$3M; Council approved the addition of \$2M to the reserve from a projected fiscal-year end General Fund surplus. There are no proposed uses for the Technology Reserve at this time. This reserve

is recommended to remain intact pending the outcome of a needs analysis for a Finance/HR ERP system.

- Section 115 Trust Set-Aside: As previously described, \$35M was set aside per Council action in relation to the FY 2022/23 year-end financial report, to be used to offset Section 115 Trust contributions and alleviate pressure on the General Fund budget. Proposed uses of \$9.11M are factored into the proposed FY 2024-2026 biennial budget.
- Section 115 Trust Fund: The balance in the FY 2023/24 Q2 report was \$32.72M. Originally, the FY 2023/24 UAL payment in the FY 2022-2024 biennial budget was based on actuarial reports at the time of budget development. However, due to significant CalPERS investment returns in FY 2021/22, the UAL payments were reduced to \$20.26M in the amended FY 203/24 budget approved by Council in June 2023. Furthermore, the amount saved from the reduced UAL payment was redirected to the Section 115 Trust. The proposed FY 2024-2026 biennial budget includes a \$21M contribution to the Section 115 Trust.

Conclusion

Through prudent financial planning and innovative strategies, the General Fund budget is balanced as a standalone fund. The combined General Fund and Measure Z budgets herald a positive future for the City, with many critical needs addressed. These efforts will translate into a stronger city government positioned to catalyze transformation in the Riverside community and economy.

The proposed budget demonstrates staff's commitment to enhance revenues through proactive measures, including:

- Correcting underperforming revenue streams via the Business Tax Discovery program, designed to bring businesses into compliance with the business tax ordinance; and conducting audits of hotels to ensure accurate transient occupancy tax application.
- Reducing the taxpayer subsidy of fee-based services that benefit individual parties by conducting a Fees & Charges study and proposing fee adjustments aimed at recovering the true cost of service provision.
- Cultivating new revenue streams through strategic investments in Riverside's vibrant economy.

With these proactive steps and optimistic revenue projections, the City is well-equipped to tackle a multitude of critical needs while safeguarding long-term fiscal health, including:

- Planning for rising retirement costs, shielding against future fiscal shocks without resorting to drastic operational adjustments.
- Planning for ongoing maintenance and infrastructure needs.
- Planning for escalating personnel costs.

The City has successfully navigated years of structural deficits, during which revenue growth trailed behind expenditure increases. However, with the surge in sales tax revenue triggered by the Covid-19 pandemic, strong performance in property taxes from increased assess values, and the establishment of a new revenue stream from the March JPA revenue sharing agreement, projected General Fund revenues (inclusive of the Water GFT) are now poised to keep pace with projected rising costs.

Leveraging the combined resources of the General Fund and Measure Z, this budget addresses critical operational needs, including staffing adjustments to alleviate workload pressures,

investments in employee retention and development, enhancements to community services and quality of life, and extended community safety measures. Further details on these major initiatives are outlined in the following section of this report.

Major Changes to Departmental Budgets – All Funds

The departmental budgets represent the culmination of rigorous planning, collaborative discussions, and strategic foresight aimed at aligning departmental priorities with the overarching goals of the City. From staffing adjustments to major initiatives, each department's budget reflects a commitment to delivering essential services, fostering innovation, and advancing the well-being of the Riverside community.

The following departmental budget summaries outline staffing changes resulting in the net increase/decrease of personnel within a department and highlights non-personnel items within the departmental budgets. Refer to Attachment 1D for a summary of position changes by fund and department.

Public Safety Departments

POLICE DEPARTMENT

Personnel (1.25 FTE increase):

- Range & Firearms Training: Increase 0.75 FTE Rangemaster position in the Measure Z Fund to 1.0 FTE Rangemaster to meet training demand.
- Add 1.0 FTE Programmer Analyst to assist with technology systems, which have expanded over the years.

Non-Personnel:

- Radio Replacement \$5.3M: The department's current radios are at end-of-life and require replacement. The purchase will be funded with an estimated \$2M in revenue projected from the sale of two surplus police helicopters, with the balance funded by Measure Z.

FIRE DEPARTMENT

Personnel (10.0 FTE increase):

- Administration (2.0 FTE): Add 1.0 FTE Administrative Assistant to support two Deputy Chiefs and meet the growing administrative demands of the department; and 1.0 FTE Inventory Control Specialist to provide oversight for inventory control of assets and supplies for Fire Battalion 1 and Battalion 2.
- Arson Program (1.0 FTE): Add 1.0 FTE Fire Captain and transfer 2.0 FTE Fire Captains from the Measure Z Public Safety & Engagement Team (Wildlands) to Measure Z Fire Captains (Training and Arson), resulting in one captain per shift and enabling the Fire Department to investigate and pursue criminal complaints for arson investigations. These efforts are expected to result in some degree of cost recovery through restitution as arson charges are brought against perpetrators.
- Fire Prevention (4.0 FTE): Add 3.0 FTE Fire Safety Inspector II and 1.0 FTE Fire Plan Check Engineer to address the increased workload of plan checks and fire inspections. The positions are anticipated to be fully offset by fees established to cover the cost of services.
- Emergency Medical Services (1.0 FTE): Add 1.0 FTE Fire Captain to oversee the day-to-day operations for the Emergency Medical Service (EMS), including providing clinical oversight, education, and operational coordination, and preparing compliance reports.

- Certified Unified Program Agency (CUPA) (2.0 FTE in the Grants and Restricted Programs Fund): The role of the CUPA is to assure consolidation, consistency, and coordination of the hazardous materials programs within the County. On October 12, 2023, the Unified Program Participating Agency identified the City of Riverside CUPA Program as being understaffed and addressed the concerns in the Deficiency Progress Report. The addition of 1.0 FTE Fire Safety Inspector II and 1.0 FTE Administrative Assistant aims to resolve the issue. The position costs are fully offset by fees established to cover the cost of services.

Non-Personnel:

- Vehicle and Apparatus Replacement Plan (\$8.9M): The original Measure Z Spending Plan included \$21.5M between FYs 2024/25 and 2028/29 for the replacement of the Fire Department's vehicles and apparatus. A thorough inventory of departmental assets in comparison to the replacement plan revealed that many assets were unaccounted for in the replacement plan. Following a complete rework of the replacement plan, an additional \$8.9M in funding has been added to Measure Z, Spending Item #14 - Fire Vehicle Replacement and Maintenance Plan to ensure adequate funding for the replacement of Fire vehicles and apparatus, planning for a total of \$30.4M in replacement funds through FY 2028/29.
- Technology (\$408,000): This proposed funding implementing the First Watch System and upgrading the Westnet program will support the modernization of alert systems in all fourteen fire stations, addressing their end-of-life status. Additionally, it will enable the implementation of data analytic tools aimed at enhancing situational awareness during emergency response and improving operational performance. These upgrades will facilitate the necessary information for enhancing fire department and ambulance deployment modeling.

Community Service Departments

COMMUNITY AND ECONOMIC DEVELOPMENT (CEDD)

Personnel (5.0 FTE decrease):

- Administration (1.0 FTE): Add 1.0 FTE Deputy CEDD Director to assist with department oversight of the seven divisions and 112.50 FTE personnel, to meet expectations that advance strategic programs/initiatives, and to support and advance the volume of work as presented in the 2024 CEDD Book of Work to City Council.
- Real Property (1.0 FTE): Add 1.0 FTE Real Property Agent to assist with the citywide support of real property service transactions.
- The Arts & Cultural Affairs Division is proposed to move to the Parks, Recreation, and Community Services Department (PRCSD), resulting in a decrease of 7.00 FTE in CEDD. (See explanation at PRCSD budget summary.)

Non-Personnel:

- One-Stop Shop Software Refresh (\$1.2M): The software upgrade for permit tracking aims to enhance customer service and streamline the permitting process. This software update is proposed to be initially funded by Measure Z, with repayment over five years from the 4% Technology Fee applied to various fees and charges.
- Various Studies and Plans (\$425,000): The proposed budget includes funding for an Economic Impact Study and Strategic Plan, Sports Attraction Study, and Convention Center Expansion Study, all aimed at identifying opportunities to expand the City's economy and build a thriving community.

LIBRARY

Personnel (6.50 FTE increase):

- Staff expansion at Library branches (6.5 FTE) – The proposed addition of personnel at the City’s library branches includes five 0.5 FTE Library Assistants, 3.0 FTE Librarians, and 1.0 FTE Digital Systems Specialist. The additional personnel will facilitate program expansions, enhance patron support, and ensure the technology needs of library patrons are met.

Non-Personnel:

- Library Materials (\$500,000): The library materials budget per capita is well below the state average of \$5.31 per resident. The increase in funding will increase physical and digital library materials and increase the per capita budget from \$1.23 to \$2.80 per resident.

MUSEUM

Personnel (1.0 FTE increase in FY 2025/26):

- FY 2025/26 (1.0 FTE): Add 1.0 Marketing & Outreach Coordinator to promote Museum programs and exhibitions and generate awareness of the Museum as a resource for the Riverside community. This position will coordinate marketing campaigns and develop and implement the Museum's social media strategy.

Non-Personnel:

- 100th Anniversary Gala (net \$29,200): The celebration of the Museum’s 100th Anniversary will take place at the Riverside Municipal Auditorium and will promote the Museum, promote the City, and generate interest for the downtown site’s expansion and reopening in 2026. The \$79,200 cost is anticipated to be largely offset by sponsorship revenue and ticket sales.

PARKS, RECREATION, AND COMMUNITY SERVICES DEPARTMENT (PRCSD)

Personnel (8.09 FTE increase):

- The Arts & Cultural Affairs Division (ACAD) is proposed to move from CEDD to PRCSD, resulting in an increase of 7.00 FTE in PRCS. The front facing PRCSD and ACAD have a lot of operational synergy and develop a sense of community and enhance experiences for residents and visitors alike. Joining these entities into one department will promote arts, culture, and recreation to further enhance the quality of life. Currently, PRCSD holds arts and entertainment events and cultural programs mostly on park property, while ACAD provides and manages arts, culture, and entertainment programs across the City and at multiple venues. This merger will synchronize efforts to serve the community as a synergistic whole.
- Administration (1.0 FTE): Add 1.0 FTE Senior Project Manager to assist with the many parks projects funded by the American Rescue Plan Act, Measure Z, and grants.
- Recreation (5.59 FTE): The following proposed positions will enable the expansion of recreation programs throughout the City: Add 1.0 FTE Recreation Superintendent; add 2.0 FTE Recreation Services Coordinators; increase four 0.50 FTE Assistant Recreation Coordinators to 0.75 FTE; increase the part-time Assistant Recreation Coordinator pooled positions by 0.50 FTE; increase the part-time Assistant Aquatic Coordinators pooled positions by 1.09 FTE. One of the Assistant Recreation Coordinator positions will provide Therapeutic/Adaptive Programming and is proposed to be funded within the new Senior/Disabled Measure Z program.
- Parks (5.75 FTE): The following positions will provide administrative support and improve the landscape and maintenance of the City’s 68 parks and 16 facilities: Add 1.0 FTE Senior Office Specialist; 1.0 FTE Landscape Maintenance Inspector; 3.0 FTE Park Maintenance

Workers. A new 0.75 FTE Assistant Recreation Coordinator will manage the volunteer program and expand the program by creating new partnerships.

- Fairmount Golf Course (1.0 FTE): The addition of a 1.0 FTE Recreation Services Coordinator will ensure adequate staffing supervision for the golf course, which is open year-round. This position is expected to be offset by golf course fees.
- Special Transit Fund (12.25 decrease): A total of 12.25 FTE vacant minibus driver positions are removed from the budget, reflecting a decrease in demand since the Covid-19 pandemic.

Non-Personnel:

- Hazardous Trees (\$460,000): Proposed as a one-time increase the Measure Z Spending Item #30 – Tree Trimming budget, this funding is necessary to remove trees in city parks that are dead, diseased, or poorly structured and have the risk of falling and causing property damage or injury.
- Community Events (\$220,000): This funding will provide the weed abatement necessary for the Mt. Rubidoux July 4th fireworks show; address cost increases for the July 4th events at La Sierra park and Ryan Bonaminio park; add a Latin Festival; and provide funding for mobile concert stage rental for the Summer Concert Series at Fairmount Park.
- Arts Grants Funding (\$210,000): The budget for arts grants is proposed to increase from approximately \$290,000 to \$500,000 annually.
- Per the request of the Budget Engagement Commission to utilize Measure Z funding for senior and disabled programming, approximately \$200,000 of General Fund senior and disabled programming has been shifted to Measure Z to provide greater transparency to funding in this arena, and an additional \$300,000 in funding has been added, for a total annual budget of \$500,000 in Measure Z Spending Item # 60 – Senior & Disabled Programming. This spending item includes funding for a new Assistant Recreation Coordinator position who will provide Therapeutic/Adaptive Programming.

PUBLIC WORKS

Personnel (11.25 FTE increase):

- Landscape Maintenance (1.0 FTE): The addition of 1.0 FTE Landscape Maintenance Inspector will improve staff's ability to monitor 15 landscape maintenance contracts covering approximately 450 acres of landscape within the 81 square miles of the City of Riverside.
- Storm Drain Maintenance (1.0 FTE): The addition of 1.0 FTE Heavy Equipment Operator along with the needed equipment to support this role will enable the City to perform storm channel maintenance which is currently being performed by the Wastewater Collections Group.
- Signal Maintenance (1.0 FTE): With fewer staff than in previous years, and with the number of traffic signal systems continually growing, the Signal Maintenance Division is currently unable to sustain the workload. The addition of 1.0 FTE Traffic Signal Technician II will supplement existing staff which manage 487 traffic signal systems throughout the City.
- Engineering Services (1.0 FTE): The City of Riverside is relatively unique amongst big cities in that it does not employ any dedicated transportation planners. The addition of 1.0 FTE Principal Planner, coinciding with the update to the City's General Plan Update, will provide dedicated oversight to all elements of the City's transportation planning, allow the City to expedite the transportation CEQA & development review process, and improve the Department's ability to pursue grant funding.

- Traffic Engineering (0.25 FTE): A 0.25 FTE Technical Intern will enhance the Department's responsiveness to resident concerns, and assist with the preparation of traffic design plans, reports, and field observations.
- Sewer Fund (3.0 FTE) – In February 2024, City Council approved the receipt of commercial septic waste from non-industrial and non-automotive sources, and new tipping fees to cover the actual cost of treating septic waste. The 2.0 FTE Septic Hauler Attendants are added to accommodate the increased workload. A 1.0 FTE Laboratory Analyst III is added to increase Laboratory staffing levels to meet California Environmental Laboratory Accreditation Program (ELAP) and The NELAC Institute (TNI) regulations. Repurposing 1.0 FTE Wastewater Maintenance Mechanic to 1.0 FTE GIS Analyst will support the Wastewater Division in the visualization and analysis of its data and assets and assist with the creation of GIS data for the Regional Water Quality Control Plant (RWQCP).
- Public Parking Fund (4.0 FTE): With the expansion of the downtown parking operation until 7:00 pm, enforcement requirements have increased. Currently, Parking Services is utilizing voluntary overtime to enforce after-hours Monday through Friday until 7:00 pm and Saturday from 7:00 am to 1:00 pm. The addition of 2.0 FTE Parking Control Representatives and 1.0 FTE Senior Parking Control Representative will ensure adequate staffing for enforcement. Furthermore, these staff members will be available to conduct after-hours enforcement operations and investigations associated with resident requests across the City without the need to accrue overtime. The addition of 1.0 FTE Administrative Analyst will provide additional support to the day-to-day oversight of Parking Services.

Non-Personnel:

- Landscape Maintenance (\$2.3M): The City's landscape includes 450 acres of landscaped rights-of-way spread over 81 square miles that include freeway on/off ramps, historical avenues, a downtown pedestrian mall, landscape maintenance districts, citrus groves, fountains, and approximately 150,000 street trees. Many of the City's irrigation systems are aging, while others have been damaged because of stolen equipment. The increase in annual funding for medians and general landscape will enhance the quality of life and foster a sense of pride throughout the City.
- Removeable Bollards (\$750,000): The installation of bollards at key intersections in Riverside's Downtown will improve safety and security and simplify street closures for special events and parades and make Riverside an even more inviting choice for organizations looking to host events in a vibrant Downtown environment.
- Traffic Signal Cabinet Art Project (\$25,000): This small investment in beautifying traffic signal cabinets will build on the success of the Riverwalk traffic signal art pilot program, bringing an elevated sense of place & neighborhood pride to additional locales across Riverside and providing opportunities to local artists.

PUBLIC UTILITIES

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Electric and Water departments.

Non-Personnel:

- The non-personnel budget for the Public Utilities department is discussed in detail in the *Budget Overview – Major Enterprise Funds* section of this report.

Internal Service Departments

The following departments are referred to as internal service departments because their costs are allocated among various city departments based on their usage of internal services. However, they may also serve in an administrative support capacity for the City at large. For example, the City Council, Office the Mayor, City Clerk, and City Manager regularly interface with residents, businesses, and other stakeholders in administration of the city government. Each of internal service departments also support internal governance by providing technology infrastructure, payroll services, facilities maintenance, and more.

CITY ATTORNEY

Personnel (0.50 FTE increase):

- Municipal Services (0.50 FTE): Change 0.50 FTE Law Clerk position to a 1.0 FTE Legal Secretary to enhance current service levels in the Municipal Services Division by ensuring an adequate ratio of attorneys to supporting staff.

CITY CLERK

Personnel (1.0 FTE increase):

- Records Management (1.0 FTE): Currently, there are no dedicated personnel for the records management function. A dedicated 1.0 FTE Records Manager will improve legal compliance, reduce risk, and improve operational efficiency with respect to records management, and be responsible for managing Public Records Act requests, aligning records retention with legal and regulatory requirements, ensuring security of confidential records, and implementing digital solutions to reduce reliance on physical documents.

Non-Personnel:

- Recodification of the Municipal Code (\$37,000): The City's Municipal Code has not been recodified since 1997. Recodification is recommended to occur every 10-15 years, involving a complete legal review of the municipal code and the incorporation of all appropriate legislation to ensure conformity with state laws.

CITY COUNCIL

Personnel (No Change):

There are no recommendations related to staffing levels in the City Council budget. The personnel budget includes the Councilmembers and 1.5 FTE Council Assistants per Councilmember.

Non-Personnel:

There are no notable changes to the City Council's non-personnel budget. Each Ward is allocated a total budget of \$13,031 for FY 2024/25 and \$13,422 for FY 2025/26, distributed among Periodicals and Dues, Office Expense, and Travel/Meeting. Additionally, pooled budgets for the department cover expenses such as postage, insurance, and other general costs.

CITY MANAGER

Personnel (17.55 FTE decrease FY 2024/25; 1.0 FTE increase FY 2025/26):

- The Marketing and Communications Division (17.55 FTE) is proposed to be extracted from the City Manager's budget and created as a new department. This move highlights the increasing importance of strategic communication and branding for the City's initiatives and services. By establishing it as a separate department, there is an opportunity to enhance focus, streamline operations, and allocate resources more efficiently towards promoting civic engagement, fostering community relations, and ensuring effective dissemination of vital information to residents and stakeholders. This move is aimed at optimizing communication efforts, enhancing transparency, and ultimately better serving the needs of the community.

- Administration (Net 0.0 FTE): Remove 1.0 FTE Principal Management Analyst funded by Measure Z and add 1.0 FTE Administrative Analyst in the Grants and Restricted Programs Fund to support the grants management function. With over \$200M in grants awarded to the City in 2023, the new Administrative Analyst position will support departments in the pursuit of new grants and administration of existing grants. This position is expected to be fully offset by grant funds as their time is charged out to the various grants they are supporting.
- Internal Audit FY 2025/26 (1.0 FTE): The Internal Audit Division currently consists of two positions: an Internal Audit Manager and an Internal Auditor. A 1.0 FTE Senior Internal Auditor is recommended to be added in FY 2025/26 to enhance support provided to departments through operational and performance audits, leading to operational efficiencies, stronger internal controls, and achievement of high performing governance across the City's operations.

FINANCE

Personnel (6.5 FTE):

- Budget Office (2.0 FTE): Anticipated to be cost-neutral, 2.0 FTE Principal Management Analysts will alleviate excess workload in the Budget Office, as well as work on special projects aimed at enhancing revenue generation and the identification of potential cost-savings opportunities.
- Contract and Vendor Management (4.0 FTE): This new function housed in the Purchasing Division will implement the Local Vendor Preference policy expansion recently approved by the City Council and Disadvantaged Business Enterprise reforms. The 1.0 FTE Senior Procurement and Contract Management Specialist, 2.0 FTE Procurement and Contract Specialists, and 1.0 FTE Senior Office Specialist will also support contract forecasting and contract lifecycle management. This includes tasks such as contract approval, execution, and post-contract management, ultimately aimed at reducing financial, operational, and legal risks.
- Treasury (0.50 FTE): The addition of a part-time 0.50 FTE Treasury Representative will alleviate workload challenges within the Treasury division and ensure the timely processing of customer payments.

GENERAL SERVICES

Personnel (1.0 FTE):

- Add 1.0 FTE General Service Worker dedicated to the Fire Department. Supporting the City's fourteen fire stations, this position will provide mail services, coordinate minor facility repairs, transport vehicles for repairs and maintenance, and provide general support as needed.

Non-Personnel:

- Deferred Maintenance (\$500,000): Increase the Measure Z Deferred Maintenance budget to address critical deferred maintenance needs.
- Repairs & Maintenance (\$800,000): As previously described, add an annual budget for preventative repairs and maintenance; proactive attention to maintenance needs will prevent more costly repairs at a later date.
- Capital Facilities Maintenance (\$1,200,000): As previously described, add an annual budget for capital facilities maintenance. This funding will be dedicated to capital repairs that extend the life of the capital asset.

HOUSING & HUMAN SERVICES

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Housing & Human Services Department.

Non-Personnel:

- Access Center Security (\$100,000): Add funding to provide security services during weekend hours.
- Homeless Services (\$159,000): New ADA van and related operating costs to facilitate homeless transportation, including disabled access.

HUMAN RESOURCES

Personnel (3.0 FTE):

- Reorganization (1.0 FTE): Convert 1.0 FTE Principal Human Resources Analyst into 1.0 FTE Human Resources Specialist and 1.0 FTE Senior Office Specialist. The reorganization will increase resources dedicated to Safety and Workers' Compensation.
- Add 1.0 FTE Principal Human Resources Analyst to oversee wellness, mental health, employee engagement, and succession planning.
- Add 1.0 FTE Business Systems Analyst to support new technology initiatives and implement operational efficiencies.

Non-Personnel:

- Talent Management System (\$250,000): The proposed Talent Management System includes a Learning Management module to track employee training, Performance Management module to automate performance appraisal administration, and a Succession Planning module to track employee competencies and skills, support their career development, and plan for succession.
- Employee Experience, Training Programs, and an Executive Development Program (\$469,500): This funding will enhance the employee experience by creating new programs such as Employee Experience, Succession Planning, Career Development, and Employee Engagement. Having well-trained staff helps build public trust. Investing in employees' development builds loyalty, enhances retention rates, and cultivates a culture of engaged individuals.
- Pre-Employment Physicals and Drug Screening (\$100,000): The proposed budget increase for pre-employment physicals and drug screening aligns with the goal of maintaining a safe, productive, and compliant workforce to ensure the City is hiring candidates that are medically qualified to perform the duties associated with their position.
- Essential Job Functions Analysis (\$100,000): Revising the essential job function analysis on job descriptions and ensuring pre-employment physical requirements for each job classification are up to date ensures that job descriptions accurately reflect the current requirements of the position. This allows for a more precise assessment of candidate suitability and is essential for maintaining legal compliance and optimizing recruitment and retention efforts.

INNOVATION & TECHNOLOGY

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Innovation & Technology Department.

Non-Personnel:

- Technology Upgrade/Replacement (\$800,000): As previously described, add funding to proactively replace or upgrade hardware and software nearing end-of-life.

MARKETING & COMMUNICATIONS

Personnel (19.55 FTE):

- 17.55 FTE housed in the Marketing and Communications Division of the City Manager’s Office were transferred to a new, standalone department, as described in the City Manager’s departmental budget summary.
- Administration (1.0 FTE): A 1.0 FTE Deputy Marketing and Communications Director position is proposed to support the Director in carrying out the strategic priorities of the department and managing day-to-day operations.
- Web Design (1.0 FTE): The proposed addition of 1.0 FTE Web Designer is fully funded by the Library (50%) and Museum (50%) and will be primarily responsible for the ongoing maintenance of the Museum and Library webpages.

Non-Personnel:

- Visit Riverside Campaign (\$300,000): The newly created “Visit Riverside” campaign is a destination marketing initiative designed to promote tourism and attract visitors to the City. It will create a distinctive brand for the City that encapsulates its identity and highlights what makes it special, harnessing the economic, social, and cultural benefits associated with tourism.
- RiversideTV Content Curation (\$150,000): Staff will seek to captivate a larger audience for RiversideTV by seeking external expertise, including talent and consultants, to curate diverse and compelling content that will capture the attention of the public and draw in more viewers. Increased viewership not only enhances public awareness but also fosters increased community engagement.
- Street Pole Banners/Flags (\$105,000): In addition to promoting the economy in the City (“Shop Local” messaging), street pole banners and flags add visual interest throughout the City and beautify public spaces. The street pole banners will create a festive atmosphere during specific times of the year and will reflect different seasons. Banners will be distributed equitably throughout all seven wards of the City.

OFFICE OF THE MAYOR

Personnel (No Change):

- There are no recommended changes to the staffing levels for the Office of the Mayor.

Non-Personnel:

- There are no notable changes to the Mayor’s non-personnel budget, which supports the department’s function, as well as numerous community initiatives and public engagements on behalf of the city. This includes facilitating programs to advocate for dollars statewide and nationally while leveraging innovative partnerships for the benefit of residents. These efforts align with the Mayor’s commitment to fostering collaboration, cultural exchange, and advancing the city’s interests on a broader stage.

Budget Overview - Major Enterprise Funds

The proposed operating budgets for the City’s major enterprise funds listed in the following table account for 50% of the citywide operating budget in FY 2024/25 and FY 2025/26. The budget for each fund is aligned with their respective rate plans or fee schedules.

MAJOR ENTERPRISE FUNDS – OPERATING			
Proposed Annual Budget			
	Incoming Resources	Outgoing Resources	Surplus / (Deficit)
FY 2024/25			
Electric	\$ 453,619,700	\$ 444,014,486	\$ 9,605,214
Water	98,854,300	95,912,284	2,942,016
Refuse	34,900,693	38,212,068	(3,311,375)
Sewer	82,636,717	73,227,471	9,409,246
Public Parking	10,428,349	9,436,845	991,504
Total	\$ 680,439,759	\$ 660,633,143	\$ 19,806,616
FY 2025/26			
Electric	\$ 485,525,800	\$ 456,572,915	\$ 28,952,885
Water	106,536,475	93,718,471	12,818,004
Refuse	37,045,592	37,267,501	(221,909)
Sewer	78,333,474	75,055,389	3,278,085
Public Parking	11,181,798	9,713,870	1,467,928
Total	\$ 718,623,139	\$ 672,103,558	\$ 46,519,581

ELECTRIC FUND

The proposed budget for the Electric Fund estimates an operating gain of \$9.61M in FY 2024/25 and \$28.95M in FY 2025/26. The undesignated cash reserve balance in conjunction with the line of credit is projected to fall below target minimum reserve levels for three years before returning above target minimum reserve levels in Fiscal Year 2026/27 as permitted by the RPU Cash Reserve Policy and consistent with the approved Electric rate plan.

Revenue:

The primary source of revenue for the Electric Fund is retail sales, financing 74% of the Electric Fund expenditure budget. Current revenue sources, including other non-retail revenues, will not be adequate to cover Electric Fund’s expenditure budget, which is detailed in the rate plan. Bond proceeds of approximately \$47.1 million and \$49.0M will be utilized to fund a significant portion of the capital improvement projects for Fiscal Years (FYs) 2024/25 and 2025/26 respectively. Reserves will be used to cover the remaining expenditures in FY 2024/25, as planned with the rate plan.

Expenditures:

The proposed two-year budget for the Electric Fund outlines year-over-year increases of 4.6% in Fiscal Year (FY) 2024/25 (\$23.1M) and 3.9% (\$20.2M) in FY 2025/26. These increases are driven by a combination of factors. The primary driver is a rise in Power Supply costs, which account for half of the Electric Fund's total budget. This includes projected increases in transmission costs, California Independent System Operator (CAISO) energy costs, and gas purchases for the Utility's generating stations. Several other cost areas are also contributing to the budget increase. Capital Outlay costs, as reflected in the approved rate plan, are rising. Additionally, the budget allocates more funding for Public Benefit programs. These programs aim to promote energy efficiency and support for low-income and fixed-income customers through expanded eligibility

and outreach efforts. Finally, personnel costs are increasing due to salary and benefit adjustments.

Capital:

The proposed CIP for the Electric Fund is \$61.3M for Fiscal Year 2024/25, and \$68.7M for Fiscal Year 2025/26. Bond proceeds of approximately \$47.1M and \$49.0M will be utilized to fund a major portion of the capital improvement projects for Fiscal Year 2024/25 and Fiscal Year 2025/26 respectively. Reserves will be utilized to cover the balance of the expenditures in Fiscal Year 2024/25, as planned with the rate plan.

The proposed CIP for Electric includes identified capital improvements to Riverside Energy Resource Center (RERC) Units 1 & 2 and technology projects necessary for system operations. Funding for the CIP is a combination of bond proceeds, developer contributions, rates, and reserves. Funding for Riverside Transmission Reliability Project (RTRP) has been approved by the Board and City Council and will be spent as the project is constructed.

The following table summarizes Electric CIP by project type. A detailed listing of Electric capital projects is included in Attachment 1C.

SUMMARY - ELECTRIC CAPITAL PROJECTS				
FY 2024-2026 Proposed Capital Budget				
<i>(in millions)</i>				
		FY 2024/25		FY 2025/26
<u>Project Type</u>				
Overhead	\$	10.0	\$	10.4
Underground		12.1		16.3
Substation		15.3		17.6
Recurring / Obligation to Serve		16.6		16.6
System Automation		7.3		7.8
Total Capital Budget	\$	61.3	\$	68.7

Cash Reserves:

The Electric Fund’s reserves, in conjunction with line of credit, will be used to balance the two-year budget and maintain the minimum target reserve levels established by the RPU Cash Reserve Policy. The financial strategy within the adopted Electric Rate Plan is to minimize rate increases by maintaining minimum required reserve levels. However, the Electric Fund’s projected reserves fall below target minimum reserve levels for FYs 2024/25 and 2025/26. The undesignated cash reserve balance, along with the line of credit, is projected to fall below minimum reserve levels for three years. This is permitted by the RPU Cash Reserve Policy and consistent with the approved Electric Rate Plan, with reserves expected to return above target levels in FY 2026/27.

The Designated Dark Fiber reserve was established to account for both revenues and expenditures related to dark fiber leasing activities. Annual revenues are projected to be approximately \$0.6M and \$0.7M for Fiscal Years 2024/25 and 2025/26, respectively. Correspondingly, \$0.6M and \$0.7M in expenditures have been budgeted for Fiscal Years 2024/25 and 2025/26, respectively, to cover the operation and maintenance of the dark fiber network. These expenses will be drawn from the designated reserve.

WATER FUND

The proposed budget for the Water Fund estimates an operating gain of \$2.94M in FY 2024/25 and \$12.82M in FY 2025/26. In compliance with the RPU Cash Reserve Policy, undesignated cash reserves in conjunction with the line of credit are projected to maintain target minimum reserve levels.

Revenue:

The primary source of revenue for the Water Fund is retail sales, which will fund 66% of the Water expenditure budget. Current revenue sources, including other non-retail revenues and bond proceeds will not be adequate to cover the Water Fund’s expenditure budget, which is included in the rate plan. Bond proceeds of approximately \$21.0M and \$30.1M will be used to fund a signification portion of the capital improvement projects for Fiscal Years (FYs) 2024/25 and 2025/26, respectively. Reserves will be utilized to cover the balance of the expenditures in FY 2024/25, as planned with the rate plan.

Expenditures:

The proposed two-year budget for the Water Fund reflects year-over-year increases of 8.0% (\$9.4M) for FY 2024/25 and 2.3% (\$2.9M) for FY 2025/26. The increase is primarily driven by higher Systems Operations costs. This includes a one-time purchase of new vehicles and ongoing increases in production and chemical supply costs due to stricter testing regulations. Personnel costs also increased due to increases in salaries and benefits adjustments related to bargaining agreements and increased competitive market forces.

Capital:

The proposed CIP for the Water Fund is \$29.6M for Fiscal Year 2024/25, and \$34.6M for Fiscal Year 2025/26. The CIP budget is comprised of capital projects as presented to the Board and City Council in 2023 as part of the five-year rate plan.

The following table summarizes Water CIP by project type. A detailed listing of Electric capital projects is included in Attachment 1C.

SUMMARY - WATER CAPITAL PROJECTS			
FY 2024-2026 Proposed Capital Budget			
<i>(in millions)</i>			
		FY 2024/25	FY 2025/26
<u>Project Type</u>			
Water Supply	\$	-	\$ 8.5
Well Projects		3.8	1.8
Transmission Pipelines		5.9	2.5
Distribution Pipelines		14.1	15.1
Distribution Facilities		1.6	1.5
Treatment Plants		0.3	0.3
Reservoir Projects		0.3	0.2
System Automation		3.6	4.7
Total Capital Budget	\$	29.6	\$ 34.6

Cash Reserves:

The Water Fund's undesignated cash reserves, in conjunction with the line of credit, are projected to maintain required minimum target reserve levels in accordance with the RPU Cash Reserve Policy.

REFUSE (SOLID WASTE) FUND

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. Although the adopted five-year solid waste rate plan is projected to bring in additional revenue, a draw on Refuse Fund reserves will be required for at least two more years. This is the result of an intentional phase-in of increased residential rates, designed to gradually bring the fund into balance while mitigating the financial impacts of the new rates on customers. Accordingly, the Refuse Fund is expected to operate in a deficit position of \$3.31M in FY 2024/25 and a deficit position of \$221,909 in FY 2025/26; there are sufficient reserves to cover the anticipated deficit.

Revenue:

Refuse Fund revenue assumptions for FYs 2024/25 through 2027/28 incorporate the City Council-approved rate increase structure for residential solid waste services through June 30, 2028. This revenue increase is expected to eliminate the need to rely on Refuse Fund reserves for operational costs starting in FY 2026/27. Additionally, the plan aims to achieve financial independence from General Fund and ARPA subsidies. In FY 2022/23, the Refuse Fund received one-time support, including \$5.00M from General Fund Infrastructure Reserves and \$4.00M in ARPA funds for the purchase of new refuse vehicles, as well as \$2.00M in ARPA funds for replacement of lost revenue.

Street sweeping revenue for the upcoming budget is also projected to increase which can be attributed to several factors, including updated street sweeping signage, the introduction of new street sweeping vehicles, the enforcement of previously unenforceable routes, and stabilized staffing levels within the Public Parking Division. These improvements are all expected to contribute to consistent service delivery and a corresponding increase in enforcement actions related to street sweeping regulations.

Expenditures:

Increased costs in recent years can be attributed to several factors including inflation-driven construction and equipment costs, ongoing global supply chain challenges, escalating recycling costs, rising disposal costs, and compliance with State mandates such as SB 1383. Additionally, in FY 2023/24, the City Council approved the addition of five new Solid Waste relief drivers, address technology deficiencies to improve Solid Waste operations, and perform Tequesquite Landfill post-closure remediation work.

The proposed FY 2024-2026 budget allocates additional non-personnel funding intended to improve service. This includes investments in technology, like RubiconSmartCity Solid Waste Technology, to enhance operational efficiency by optimizing routes, tracking missed collections due to unplaced bins, and documenting contaminated loads. Additionally, required in-cab technology will be implemented to support these efforts.

Compliance with SB 1383 has led to an increase in professional services. The Public Works Department is partnering with ReCreate, a consultant firm, to educate residents, conduct outreach programs, and perform inspections on collected loads. ReCreate will also help facilitate communication with businesses that generate large quantities of food waste, known as Tier 1 and Tier 2 generators. The "CareIt" software system will be used by these businesses to manage their food inventory, ensure food safety, and connect with non-profit organizations that distribute the

food within the community. This partnership allows the City to meet state reporting requirements for edible food recovery.

The budget also reflects anticipated increases in disposal costs due to factors like Consumer Price Index (CPI) adjustments and higher tip fees determined by the Materials Recovery Facility.

The FY 2024/25 budget includes \$1.5M in funding for maintenance at the closed Tequesquite Landfill to replace the flare station, which burns off methane gas, and repair damaged wellheads.

The operating budgets for FY 2024/25 and FY 2025/26 allocate \$1.10M annually for ongoing solid waste vehicle replacement. This is critical as the department, despite acquiring 20 new vehicles in FY 2023/24, still faces the challenge of an ageing fleet. Additionally, FY 2024/25 budgets an additional \$400,000 to address street sweeper needs.

Reserves:

The Refuse Fund is projected to enter FY 2024/25 with approximately \$15.8M in reserves. The five-year long-term plan projects a draw on reserves of \$3.31M and \$222,000 in FYs 2024/25 and 2025/26, respectively. Staff will bring a reserve policy for the Refuse Fund to the City Council for consideration in the coming months.

SEWER (WASTEWATER) FUND

The proposed budget for the Sewer Fund projects an operating gain of \$9.41M in FY 2024/25 and \$3.28M in FY 2025/26. The operating gain will help fund capital projects aimed at maintaining the sewer infrastructure. The Sewer Fund is expected to meet policy reserve requirements in each year of the proposed budget.

Revenue:

Sewer Fund revenue for FY 2024/25 and FY 2025/26 is expected to show modest growth due to a slight increase in service demand. While the fund has recently exceeded projections in Commercial and Residential Sewer Connection Fee revenue due to a surge in planned development, there are no upcoming approved rate increases. Consequently, revenue estimates in all other areas are held flat, and the fund will need to continue to draw on reserves to maintain operations.

Expenditures:

The proposed budget increases the allocation for chemical supplies to account for inflationary pressures. These chemicals are essential for wastewater treatment to comply with federal, state, regional, and local regulations. Market volatility, temporary supply shortages, and the upsurge of the Consumer Price Index (CPI) simultaneously triggered a larger than expected rise in unit costs for chemicals.

Biosolids removal and hauling costs pose another challenge for the Sewer Fund. The Regional Water Quality Control Plant removes organic matter (biosolids) from wastewater to meet regulatory water quality requirements prior to discharge into the Santa Ana River or to be reused as recycled water. The cost of biosolids removal and transport to disposal locations has significantly increased over the past three years.

Capital:

The proposed capital budget for the Sewer Fund totals \$9.9M in FY 2024/25 and \$3.8M in FY 2025/26. Capital projects may span multiple years; a listing of all active and proposed project descriptions is included in Attachment 1C.

SEWER CAPITAL PROJECTS
FY 2024-2026 Proposed Capital Budget

Project Name	FY 2024/25	FY 2025/26
8334 - Fairgrounds Wastewater	\$ 1,800,000	\$ -
8659 - Dexter Wastewater	1,800,000	-
9115 - Priority Pipeline Assessment & Repair	-	1,000,000
9116 - WCQP - Upgrade Flow Meters to Electromagnetic Meters	6,320,000	-
9117 - WCQP - Headworks Area Rehabilitation	-	2,000,000
9118 - WCQP - Activated Treatment Train Rehabilitation	-	550,000
9119 - WCQP - Plant II Sludge Pumps I & II Rehabilitation	-	250,000
Total Capital Budget	\$ 9,920,000	\$ 3,800,000

Reserves:

Inclusive of both the capital and operating budgets, the proposed budget for the Sewer Fund projects a draw on reserves of approximately \$511,000 in Fiscal Years (FYs) 2024/25 and \$522,000 in 2025/26. There are sufficient fund reserves to cover these projected deficits and the Sewer Fund is expected to meet its policy reserve requirements throughout the proposed budget period.

PUBLIC PARKING FUND

On April 18, 2023, the City Council approved a Parking Rate and Hour Schedule effective July 1, 2023. Revenue and expenditure projections in the FY 2024-2026 budget reflect this new rate schedule.

The proposed budget for the Public Parking Fund projects an operating gain of \$1.00M in FY 2024/25 and \$1.47M in FY 2025/26. The operating gains will fund structural repairs and capital projects aimed at enhancing customer safety and increasing the customer base.

Revenue:

Public Parking Fund revenue for FY 2024/25 and FY 2025/26 is projected to increase significantly due to the improved performance of the downtown parking operations. The implementation of the "Parking Your Way" program is a key driver of this growth. This program includes features like accessible free parking, expanded hours, and new monthly parking programs. Additionally, the rollout of the Park Riverside app and the installation of Parking Access Revenue Control Systems (PARCS) in garages are expected to contribute to increased revenue. PARCS equipment in Garages 1 and 2 will further enhance control and management efficiency, capturing previously unrealized revenue and supporting various parking programs. Additionally, Street Sweeping revenue is anticipated to increase in the upcoming budget compared to prior years as street sweeping signage is up to date, routes are all enforceable, and staffing levels have stabilized.

Expenditures:

Operating expenditures are expected to increase due to the implementation costs of the new Parking Rates and Hours Schedule. For instance, the estimated budget for professional services contract with Parking Concepts, Inc. (PCI) is higher than expected due to the program rollout. The amended contract includes additional operating costs, which will be offset by increased revenue generation from the "Parking Your Way" program. Charges associated with parking apps,

payment stations, PARCS, credit card fees, and TEZ billing system also contribute to the overall budget increase.

To address expanded downtown enforcement hours, the Public Parking Fund is proposing to add 2.0 FTE Parking Control Representatives and 1.0 FTE Senior Parking Control Representative. Additionally, 1.0 FTE Administrative Analyst will provide increased day-to-day support. Three additional vehicles, uniforms, and equipment such as computers and handheld devices are budgeted for the new personnel.

The budget also includes costs associated with planned structural repairs to downtown garages and capital projects aimed at enhancing customer safety and attracting new customers.

Capital:

The capital budget for the Public Parking Fund \$1.55M in FY 2024/25 and \$900,000 in FY 2025/26. The capital projects are expected to be funded by operating gains.

PUBLIC PARKING CAPITAL PROJECTS FY 2024-2026 Proposed Capital Budget		
<u>Project Name</u>	FY 2024/25	FY 2025/26
5992 - Digital Valet System	\$ 100,000	\$ -
5993 - Parking Garage #6 - Structural Maintenance	420,000	-
5994 - Vehicle Exit Warning Signs	150,000	-
5996 - Uninterrupted Power Supply Backup System	100,000	-
5997 - Downtown Parking Garage #3 - Feasibility Study	150,000	-
6001 - On-Street Space Monitoring System	400,000	500,000
6003 - Parking Garage #7 - Structural Maintenance	25,000	-
6005 - Downtown Parking Garage #8	100,000	-
9134 - Parking Garage - Guidance, Lighting, Camera System	100,000	400,000
Total Capital Budget	\$ 1,545,000	\$ 900,000

Reserves:

Inclusive of both the capital and operating budgets, the proposed budget for the Public Parking Fund anticipates a draw on fund reserves of approximately \$554,000 in Fiscal Year (FY) 2024/25 and an operating gain in FY 2025/26 of \$568,000. Sufficient reserves are available to cover the projected deficit projected in FY 2024/25.

Personnel Changes

The following table lists net personnel changes by fund. The position increases/decreases proposed in this budget were described in the departmental budget summaries. All other positions (22.00 FTE) were added during FY 2023/24 by Council action subsequent to the amendment of the FY 2023/24 budget.

Fund	Adopted FY 2023/24	Change	Proposed FY 2024/25	Change	Proposed FY 2025/26	Change
101 - General Fund	1,529.90	11.00	1,585.99	45.09	1,587.99	2.00
110 - Measure Z Fund	172.00	-	173.25	1.25	173.25	-
170 - Development	3.00	-	3.00	-	3.00	-
215 - Grants and Restricted Programs	2.00	-	6.00	4.00	6.00	-
220 - CDBG-Community Development	4.00	-	4.00	-	4.00	-
260 - NPDES Storm Drain	2.00	-	2.00	-	2.00	-
280 - Housing Authority	6.00	-	7.00	1.00	7.00	-
510 - Electric	473.00	-	473.00	-	473.00	-
520 - Water	165.00	-	165.00	-	165.00	-
530 - Airport	7.00	1.00	8.00	-	8.00	-
540 - Refuse	62.00	5.00	67.00	-	67.00	-
550 - Sewer	118.00	-	121.00	3.00	121.00	-
560 - Special Transit	48.25	-	36.00	(12.25)	36.00	-
570 - Public Parking	19.00	-	23.00	4.00	23.00	-
610 - Workers' Compensation Trust	5.00	-	5.00	-	5.00	-
630 - Liability Insurance Trust	5.00	5.00	10.00	-	10.00	-
640 - Central Stores	9.00	-	9.00	-	9.00	-
650 - Central Garage	38.00	-	38.00	-	38.00	-
Grand Total	2,668.15	22.00	2,736.24	46.09	2,738.24	2.00

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 2024-2026 Biennial Budget is an inclusive 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 community engagement efforts and public meetings related to the update of the FY 2024-2026 Biennial Budget. Equity is a major component of the strategic plan and related funding strategies.
3. **Fiscal Responsibility** – The thoughtful and deliberate nature of the City’s budget development process and alignment of City resources with the strategic plan demonstrates the City’s commitment to responsible management of the City’s financial resources while providing quality public services to all.
4. **Innovation** – The methodologies applied to the evaluation and presentation of budget requests to ensure advancement of the City’s strategic priorities is an innovative approach to decision-making.

5. Sustainability & Resiliency – The budget development process facilitates the balancing of current and future needs, thereby supporting the ultimate goal of long-term fiscal stability for the City.

FISCAL IMPACT:

There is no fiscal impact associated with the City Council recommendations included in this report. With City Council approval, a public hearing will be held on June 25, 2024, followed by adoption of the proposed budget which currently totals approximately \$1.46 billion in FY 2024/25 and \$1.48 billion in FY 2025/26, including both the City’s operating budget and planned capital projects.

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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: Phaedra Norton, City Attorney

Concurs with;



Steve Hemenway, Chair
Finance Committee

Attachments:

1. Proposed Budget Schedules
 - A. Revenues and Expenditures by Fund
 - B. Expenditures by Department and Fund
 - C. Capital Improvement Plan
 - D. Personnel Detail
 - E. Five-Year Financial Plans - General Fund, Measure Z, Electric, Water, Refuse, Sewer, Public Parking
2. Community Outreach - Budget Survey Results
3. Quality of Life Survey Results
4. Presentation