



City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS **DATE: OCTOBER 9, 2025**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: FISCAL YEAR 2026-2028 BIENNIAL BUDGET DEVELOPMENT PROCESS

ISSUE:

That the Budget Engagement Commission receive and file an update on the Fiscal Year 2026-2028 Biennial Budget development process.

RECOMMENDATION:

That the Budget Engagement Commission receive and file an update on the Fiscal Year 2026-2028 Biennial Budget development process.

BACKGROUND:

The purpose of the Budget Engagement Commission is to advise the City Council on spending and policy priorities based on the information received through quarterly financial and performance reports, including revenues from transaction and use tax, to work with City staff to maximize public engagement on municipal budgetary issues and to provide input on performance measures and reporting programs.

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.

Budget Process

The Budget Cycle initiates during the summer when City departments work internally to begin identifying potential priority needs for the upcoming biennial budget. In August and September, the City's Budget Office begins to develop the baseline budget, which generally includes updated revenue assumptions and required expenditure adjustments to support existing baseline levels of service.

During the months of October and November, the City conducts community budget forums in each Ward to obtain feedback and hear what matters most to residents.

Between November and February, City Departments work with the City Manager's Office to finalize proposed operating and capital budgets that aim to address priority needs identified by the departments and through community engagement, while being mindful of any fiscal limitations.

In March, the City releases the draft biennial budget with a five-year financial plan and conducts additional engagement with various City boards, commissions, and committees, including the Budget Engagement Commission. The proposed budget is presented to City Council in May and adopted in June.

Baseline Budget

The Finance Department creates the baseline budget for all city funds, inclusive of updated personnel projections and retirement costs, self-insurance rates, debt obligations, cost allocation plan, and other known costs to support existing levels of service. While the baseline budget sets the stage for budgetary planning across all funds, the City focuses primarily on the General Fund and Measure Z at this stage 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 toward 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. The City also hosts community budget forums in each Ward during the months of October and November.

FY 2024-2026 Biennial Budget Priorities

On June 25, 2024, the City Council adopted Resolution No. 24131 approving the Fiscal Year (FY) 2024-2026 Biennial Budget and FY 2024-2029 Capital Improvement Plan (CIP). Alongside

the City's strategic priorities, the following budget priorities were fundamental in the decision-making process during the FY 2024-2026 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.

Amended FY 2025/26 Budget

On June 17, 2025, the City Council adopted an amended FY 2025/26 Budget, which included \$1.53 billion in appropriations citywide across all funds. The adopted budget included \$382.16 million General Fund and \$107.25 million Measure Z expenditures.

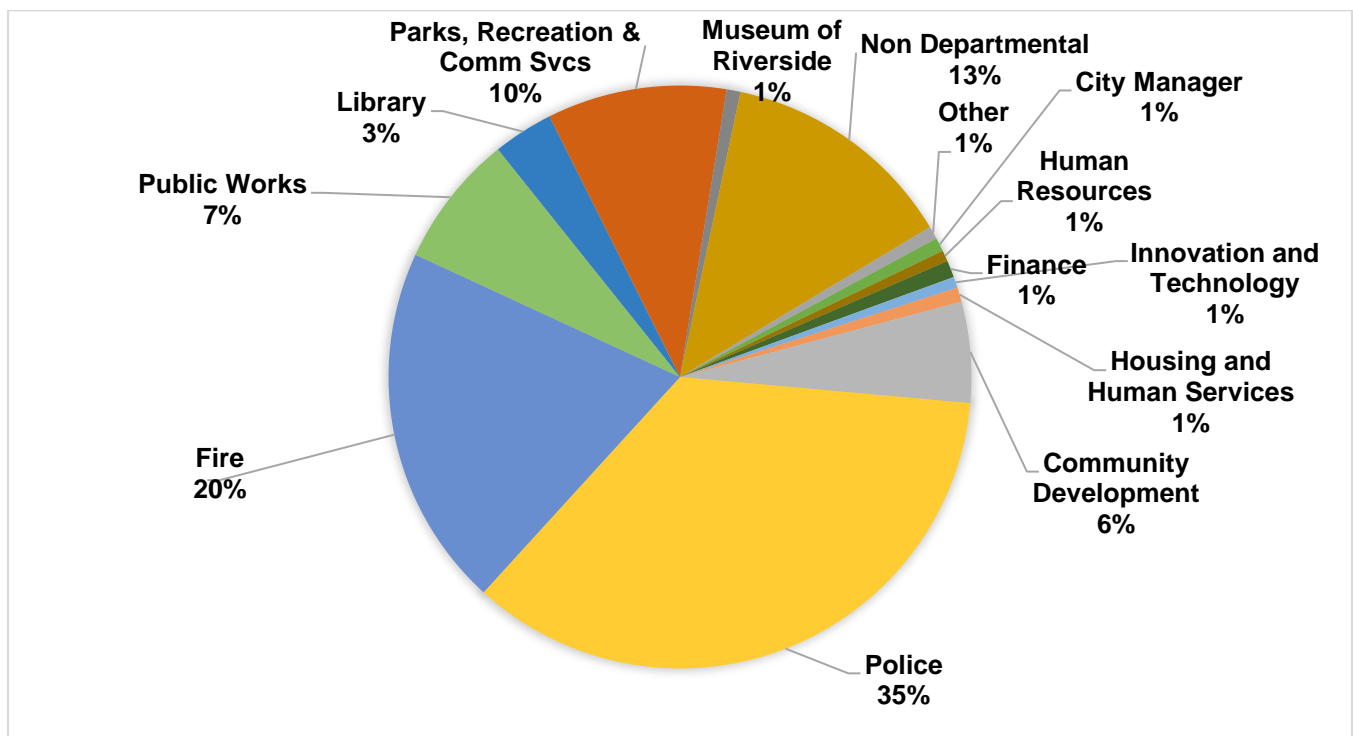
| Summary of FY 2025/26 Proposed Adjustments | | | | |
|--|----------------------|----------------------|----------------------|--------------|
| Category | Adopted Budget | Proposed Adjustments | Amended Budget | % Amended |
| General Fund | | | | |
| Revenues and Other Resources | \$ 371,805,699 | \$ 10,351,514 | \$ 382,157,213 | 2.8% |
| Expenditures and Transfers | 371,805,699 | 10,351,514 | 382,157,213 | 2.8% |
| Surplus/(Deficit) | \$ - | \$ - | \$ - | |
| Measure Z | | | | |
| Revenues and Other Resources | \$ 86,997,000 | \$ (2,901,000) | \$ 84,096,000 | -3.3% |
| Expenditures and Transfers Out | 101,594,532 | 5,658,955 | 107,253,487 | 5.6% |
| Use of Fund Balance | \$ 14,597,532 | \$ 8,398,455 | \$ 23,157,487 | 58.6% |
| Surplus/(Deficit) | \$ - | \$ - | \$ - | |

The amended FY 2025/26 Budget included a more cautious approach for the General Fund and Measure Z due to the continued uncertainty regarding the national economy, including the effects of rapidly changing federal policies that could impact the City's financial outlook in FY 2025/26 and beyond. This uncertainty may result in reduced consumer and business spending, and have made forecasting and planning for next fiscal year more challenging than in recent years.

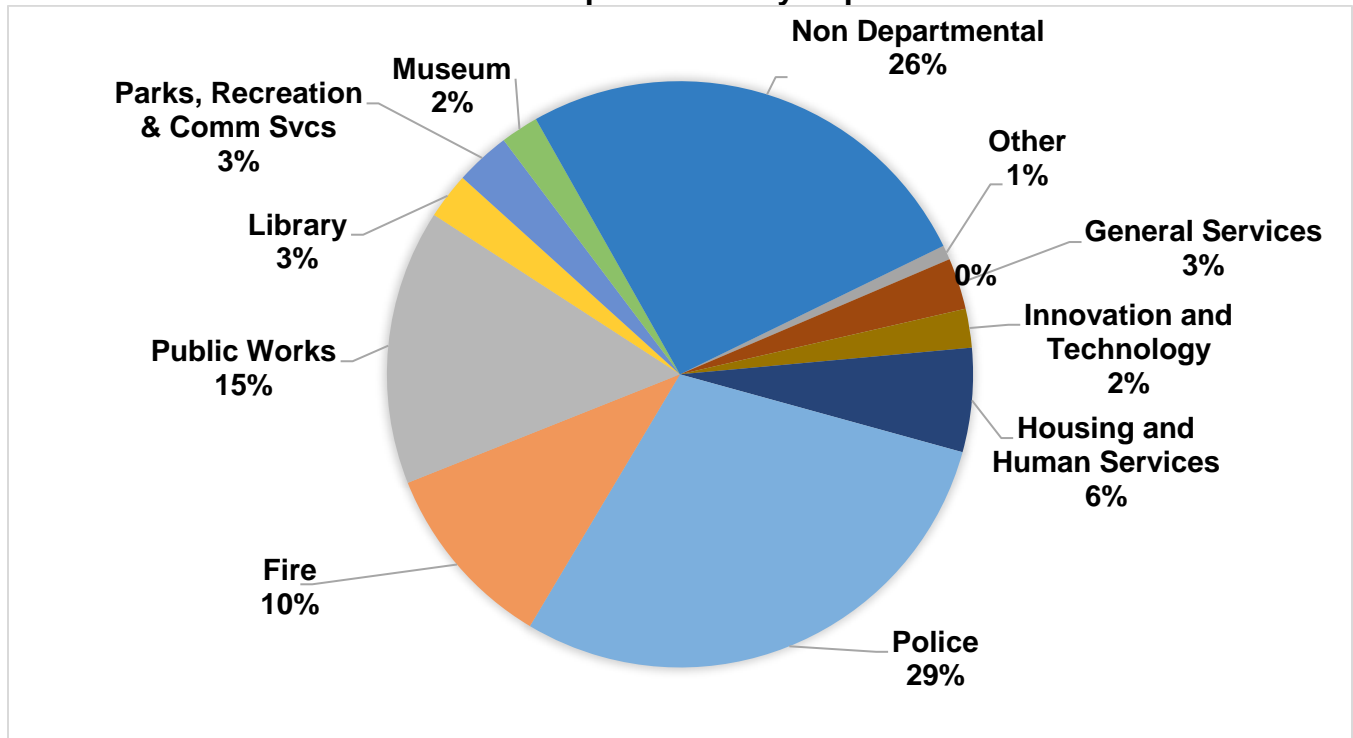
Given these uncertainties and financial pressures, City Council adopted a budget that included reductions in various planned expenditures included in the FY 2024-2026 Biennial Budget. While significant reserve balances are available to help offset any revenue downturn, the City decided to not use reserves given that those balances should generally be used when experiencing a more severe economic downturn, in order to protect core City services.

The following charts display expenditure allocations for General Fund and Measure Z as adopted in the FY 2025/26 amended budget.

General Fund Expenditures by Department

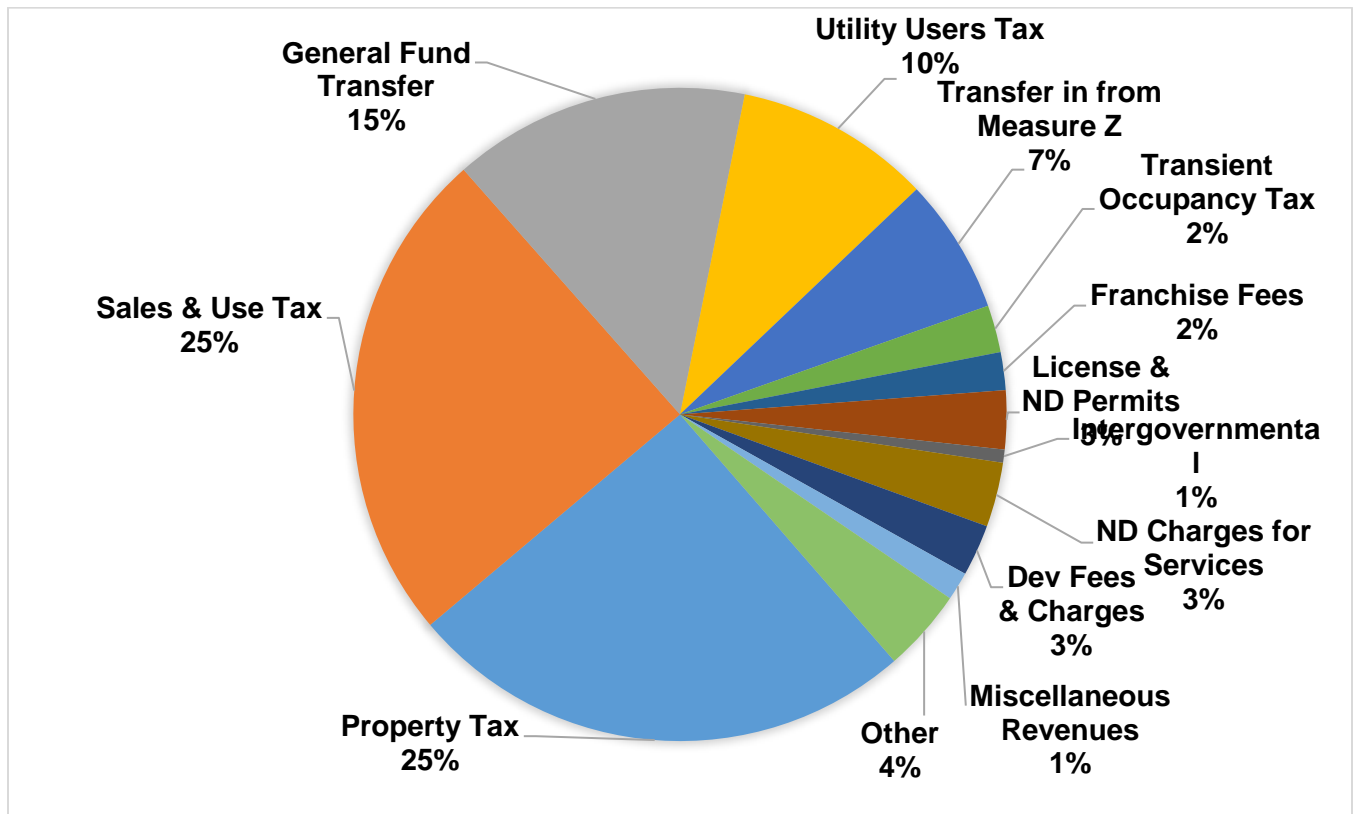


Measure Z Expenditures by Department



The following charts display a breakdown of projected General Fund revenue as adopted in the FY 2025/26 amended budget.

General Fund Revenue by Category



DISCUSSION:

The City is in the early stages in the development of the 2026-2028 Biennial Budget. The City is currently developing the baseline budget and is working with departments to identify critical unfunded needs.

The City is also beginning its Community Budget Engagement meetings which are intended to provide residents with the opportunity to learn about the budget process, ask questions, and provide input that can inform future budget decisions. Each year we look for ways to improve community engagement in the budget process, drawing on what has and hasn't worked in the past. This year, the City is taking a theme-based approach with the goal of providing more focused discussions, give residents the option to attend sessions on topics that matter most to them, and gather more actionable input to guide the upcoming budget. We selected three themes (Public Safety/Housing & Human Services, Public Works/Community and Economic Development, and Parks/Library/Museum) based on areas where we historically receive the most community feedback and where resident input can best inform funding priorities. Each theme will be discussed in two meetings, intentionally located in different parts of the City to increase accessibility for residents of all wards.

Below is a list of upcoming community budget forums:

Public Safety (Police/Fire)/Housing and Human Services

- Thursday, October 30, 6:00PM—(Springbrook Clubhouse; 1011 N. Orange Street Riverside, CA 92501)
- Thursday, November 13, 7:00PM—(Arlanza Community Center: 7950 Philbin Avenue Riverside, CA 92503)

Public Works/Community and Economic Development

- Wednesday, October 22, 6:00PM—(Orange Terrace Community Center: 20010 Orange Terrace Parkway Riverside, CA 92508)
- Wednesday, November 19, 6:00PM—(Nichols Park/Joyce Jackson Community Center: 5505 Dewey Avenue Riverside, CA 92504)

Parks/Library/Museum

- Thursday, October 16, 6:00PM—(La Sierra Senior Center: 5215 La Sierra Avenue, Bldg. B Riverside, CA 92505)
- Wednesday, November 5, 6:00PM—(Ysmael Villegas Community Center: 3091 Esperanza Street Riverside, CA 92504)

At this point, the City continues to maintain a cautious financial outlook due to ongoing economic uncertainties at the local, state, and federal levels. While the City's financial position remains strong, several factors could influence its revenue base and expenditures. This includes the impact of rapidly changing federal policies, inflation, state and federal budget allocations, and other factors that can result in fluctuations in local sales and property tax revenues. Further, the City is seeing increased costs in personnel, pension liabilities, claims and liability costs, and to address other critical city needs. The Budget Office is closely monitoring potential effects of

tariffs, inflation, interest rates, and overall economic conditions that can impact the City's financial landscape.

The City encourages the Budget Engagement Commission members to promote the community budget engagement meetings to maximize public engagement on priorities to help inform the 2026-2028 Biennial Budget. City staff will come back to the Budget Engagement Commission in March for a workshop on the proposed 2026-2028 Biennial Budget.

FISCAL IMPACT:

This report will not result in a fiscal impact.

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

Attachments:

1. Presentation