



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 15, 2025

FROM: FINANCE DEPARTMENT WARDS: ALL

**SUBJECT: FISCAL YEAR 2024/25 THIRD QUARTER FINANCIAL UPDATE AND BUDGET
ADJUSTMENTS – \$500,000 SUPPLEMENTAL APPROPRIATION**

ISSUE:

Receive and provide input on the Fiscal Year 2024/25 Third Quarter Financial Update; approve proposed budget adjustments.

RECOMMENDATIONS:

That the City Council:

1. Receive and provide input on the Fiscal Year 2024/25 Third Quarter Financial Update;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation and interfund transfer from the Regional Park Special Capital Improvement Fund to the General Fund in the amount of \$500,000; and
3. Approve a budget reduction of \$2,000 in the General Fund, City Council Ward 6, Office Supplies and Travel budget as a General Fund cost savings measure.

COMMISSION RECOMMENDATION:

This report is published on July 3, 2025, for the July 15, 2025, City Council meeting.

On July 10, 2025, the Budget Engagement Commission will hear this item for consideration to recommend the City Council approve FY 2024/25 third quarter budget adjustments resulting in \$500,000 total supplemental appropriations for all City funds. The Commission's recommendation will be conveyed as part of the verbal presentation of this item to the City Council.

BACKGROUND:

On June 25, 2024, the City Council adopted Resolution No. 24131 approving the Fiscal Year (FY) 2024-2026 Biennial Budget.

On January 28, 2025, the City Council received the First Quarter Financial Update and approved citywide supplemental appropriations of \$7,482,207 for all City funds, including interfund transfers in the amount of \$578,544. The supplemental appropriations included a net fiscal impact to the General Fund totaling \$490,000, which represented an allocation of Infrastructure Reserves to fund emergency repairs to a stormwater facility on Iowa Avenue.

On April 8, 2024, the City Council received the Second Quarter Financial Update and approved mid-cycle budget adjustments, including supplemental appropriations, interfund transfers, and other budgetary entries totaling \$854,423 in expenditures and \$2,767,065 in revenue adjustments across various funds.

DISCUSSION:

Throughout the fiscal year, City departments and the Budget Office monitor and analyze all City funds for potential issues that require attention and mitigating action. For the third-quarter report, City departments analyzed the financial status of all funds and appropriations under their purview. The results of the City's major funds and areas of concern in other funds (if any) are included in this report. This update spans the period of July 2024 through March 2025.

General Fund and Measure Z

The third-quarter review maintains a cautious outlook for the General Fund and Measure Z. Although overall revenues align with expectations outlined in the second-quarter report, anticipated sales tax declines and ongoing fiscal uncertainties continue to cloud the City's financial outlook. These pressures are compounded by rising personnel costs, as well as supplemental appropriations approved throughout this fiscal year.

Ongoing uncertainties at the federal and local levels, including proposed tariffs, shifts in immigration policy that may increase labor costs, and reductions in federal funding, could further complicate the City's financial outlook into the next fiscal year. The impact of these factors remains uncertain. Therefore, staff continue to recommend restraint on unallocated spending and will continue to monitor policy changes and economic conditions, providing updates in future reports.

FY 2024/25 Summary				
	Adopted Budget	Council Approved Adjustments through April 8	Q3 Recommended Adjustments	Final Adjusted Budget*
General Fund				
Revenue/Transfers In	\$ 361,227,227	\$ 5,092,306	\$ 500,000	\$ 366,819,533
Expenditure/Transfers Out	361,227,227	5,382,328	(2,000)	366,607,555
Surplus/(Deficit)	\$ -	\$ (290,022)	\$ 502,000	\$ 211,978
Measure Z				
Revenue/Transfers In	\$ 84,515,000	\$ (3,206,000)	\$ -	\$ 81,309,000
Expenditure/Transfers Out	104,283,345	(2,390,524)	-	101,892,821
Surplus/(Deficit)**	\$ (19,768,345)	\$ (815,476)	\$ -	\$ (20,583,821)
* Excludes carryovers and approved ARPA adjustments that do not have a net impact the on surplus/deficit calculation.				
** Continues a strategic Measure Z fund balance drawdown as adopted by City Council in the adopted budget.				

Adopted Budget: The adopted FY 2024/25 budget for the General Fund totaled \$361.2 million with a balanced budget. The adopted FY 2024/25 Measure Z budget projected an ending fund balance of approximately \$32.15 million, which includes a deliberate net drawdown of \$19.8 million per the adopted spending plan. Separately, \$5.00 million is held in contingency reserves per the adopted Measure Z Reserve Policy to ensure sufficient funding for ongoing costs in the event of under-performing revenues.

Revenues: FY 2024/25 General Fund revenues recorded through March 2025 were assessed in the context of FY 2024/25 adopted budget, performance to date, and potential economic impacts through the end of the fiscal year. The second quarter report detailed changes across multiple revenue categories, with a noticeable decline in sales tax. Although several categories are falling short of budget projections, these are largely offset by stronger-than-expected performance in other revenue categories. As such, given that overall revenues still appear to align with budgeted expectations, staff do not recommend additional adjustments to General Fund and Measure Z revenues.

REVENUE PROJECTIONS				
General Fund				
Revenue Category	Adopted Budget	Amended Budget 4/8/2025	Third Quarter Adjustments	Total Budget
Property Taxes	\$ 92.59	\$ 92.59		\$ 92.59
Sales Tax	93.84	91.93		91.93
Cannabis Tax	0.50	-		-
Utility Users Tax	34.94	34.94		34.94
Transient Occupancy Tax	8.71	8.71		8.71
Franchise Fees	6.91	6.91		6.91
Licenses & Non-Developer	11.96	11.96		11.96
Non-Development Charges for Services	12.04	12.04		12.04
Development Fees & Charges	8.46	8.46		8.46
General Fund Transfer	53.41	53.45		53.45
Measure Z Transfer	18.27	18.27		18.27
Public Safety Support Transfer		5.89		5.89
Other Revenues & Transfers In	19.61	21.17	0.50	21.67
Total Revenues & Transfers In	\$ 361.22	\$ 366.31	\$ 0.50	\$ 366.81
Measure Z				
Revenue Category	Adopted Budget	Amended Budget 12/31/2024	Year-End Projection	\$ Change
Sales Tax	\$ 83.72	\$ 80.51	\$ -	\$ 80.51
Interest Earnings	0.80	0.80	-	0.80
Total Revenues & Transfers In	\$ 84.52	\$ 81.31	\$ -	\$ 81.31

The following outlines trends for some of the major categories within the General Fund and Measure Z Funds:

- **Sales Tax:** The second-quarter report included a \$5.12 million decrease in FY 2024/25 sales tax projections, consisting of \$1.91 million (2.1%) in the General Fund and \$3.21 million (3.8%) in Measure Z, based on January projections provided by the City's sales tax consultant, HdL. Although HdL provided updated projections in May that estimate potential higher sales tax revenue through the end of the fiscal year, staff recommend maintaining conservative revenue projections given continued fiscal uncertainty, especially considering the potential impacts of newly enacted and rapidly changing federal policies. Receipts reported by the state are fluctuating on a month-to-month basis and do not have a predictable trend.
- **Property Tax:** This category continues to experience slower post-pandemic growth rates due to higher interest rates, refinancing costs, and overall higher housing costs, which have reduced consumer demand for housing. For the current fiscal year, overall revenues in this category remain on track with budgeted expectations.
- **Business License Tax:** The third-quarter analysis of business license tax shows continued signs of declining revenue compared to budgeted projections. However, the City's business license administrator is continuing to run the newly implemented discovery program, which is expected to boost this category for the remainder of the fiscal year. Therefore, no adjustment is recommended at this time.
- **Development Fees and Charges:** The third-quarter analysis of development fees and charges demonstrates underperforming revenues compared to budgeted projections. This is partly due to budget assumptions that expected earlier implementation of fee and charges increases, which were approved by Council in April 2025, and will only be in effect for one month in the fiscal year. Increases in the adopted fees may partially boost this revenue in June. Staff will continue to monitor this category; however, no adjustments are recommended at this time.
- **Utility Users Tax, Transient Occupancy Tax, and Franchise Fees:** The third-quarter analysis of these revenue categories indicates that revenues are generally performing within budgeted expectations, and no change is recommended at this time.
- **Other Revenues:** The third-quarter analysis demonstrates outperforming revenues in several categories such as interest and administrative civil penalties, which are partially offset by underperformance in other revenue categories such as fees and charges for various Parks programs, facility rentals, and event revenue.

Expenditures: At the end of the third quarter, overall General Fund and Measure Z expenditures are generally aligning with budgeted appropriation limits and no additional budget adjustments are recommended at this time.

The following explains significant items:

- **Personnel** – As of the end of the third quarter, personnel expenditure are at 76% of the amended budget for General Fund and 73% of budget for Measure Z, which aligns with expectations. This includes the additional Police and Fire department overtime budgets that were increased in the second quarter mid-year adjustments.

The personnel expenditures budget incorporates a 6% vacancy savings factor, (equivalent to approximately \$15.5 million for General Fund and \$500,000 for Measure Z), within a

non-departmental fund account, freeing up funding for other City priorities. However, all positions are fully budgeted within their respective departments. As of the end of the third quarter, the General Fund vacancy rate stood at 8.2%, representing a 2.5% decrease from the start of the fiscal year. The Measure Z Fund vacancy rate stood at 15.1% at the end of March. The City is on track to achieve the vacancy savings rate. However, it is important to note that vacancy rates, in terms of full-time equivalents (FTEs), do not directly equate to dollar savings. Actual savings will depend on the salary and benefit costs of vacant positions.

- **Non-Personnel** – Non-personnel expenses are challenging to project due to fluctuations in the timing of expenditures throughout the fiscal year, as well as the common occurrence of unexpended funds being carried over at the end of the fiscal year. As of the end of the third quarter, overall expenditures are expected to generally fall within budgeted expectations for both the General Fund and Measure Z. However, some level of savings is anticipated from various executed contracts that will be partially unspent at year-end.

Through the third quarter of FY 2024/25, the City Council approved the following supplemental appropriations:

General Fund (\$5.38 million)

- Simpson v. City of Riverside Lawsuit Legal Fees (\$139,400) – Increase to the legal budget to cover additional expenses related to extensive discovery, a hearing on liability, and an upcoming hearing on damages, beyond the scope of the initial approved budget.
- Riverside Firefighters' Association MOU Adjustments (\$297,000) – Increase to Fire to support higher personnel costs associated with the revised Memorandum of Understanding with the Riverside Firefighters' Association.
- Local Affordable Housing Trust (\$25,773) – Transfer to the Local Affordable Housing Trust associated with a policy to provide fifty percent of the sale proceeds from city owned properties purchased with General Fund resources to support affordable housing projects.
- Rental Assistance Program for Seniors (\$900,000) – Allocation of American Rescue Plan Act (ARPA) interest income to support rental assistance for seniors.
- Park and Recreation Agencies Accreditation (\$150,000) – Allocation of ARPA interest income to fund a consultant to complete a Parks Commission for Accreditation of Park and Recreation Agencies accreditation strategy.
- Legal Costs (\$250,000) – Allocation of ARPA interest income to add Redwood Public Law to the City's panel of authorized attorneys to work on public/private partnership projects.
- City of Riverside vs Regents of University of California Legal Services (\$425,000) – Increase to the City Attorney's Office budget for a three-year legal services agreement with the law firm of Shute Mihaly & Weinberger, to represent the City in the lawsuit entitled City of Riverside v. The Regents of the University of California.
- City Council Assistant Salary Increases (\$139,492) – Increase to the City Council budget to support salary adjustments for Council Assistants based on market basket salary survey results.
- City of Corona Aviation Program Agreement (\$120,000) – Increase to the police budget with a corresponding revenue adjustment to provide as-needed emergency air support services to the city of Corona.

- City Attorney Case Management Software (\$83,389) – Increased funding to the City Attorney's office to support technology services for a legal case management system.
- Arlington Business Improvement District (BID) Area Vitality Improvements (\$100,000) – Increase to the Non-Departmental budget to support community engagement events, beautification efforts and infrastructure improvements in the Arlington BID area.
- ARPA Revenue Replacement and Interest: The City Council accepted staff's recommendations to safeguard unexpended ARPA funds, by allocating \$30.15 million of unspent funds to revenue replacement and transferring former ARPA projects to General Fund. This resulted in a net zero expenditure impact and a net positive revenue adjustment of \$4,927,459.
- Post-Release Accountability and Compliance Team (PACT) Agreement (\$138,150) – Increase to the Police Department budget with a corresponding revenue adjustment to fund vehicle, operation, and maintenance costs associated with the PACT partnership with the Riverside County Probation Department.
- Riverside Police Officer's Association MOU Adjustments (\$958,009) – Increase to Police Department budget to support higher personnel costs associated with the successor Memorandum of Understanding with the Riverside Police Officer's Association and its Supervisory Unit.
- Riverside Police Administrators' Association MOU Adjustments (\$153,977) – Increase to Police Department budget to support higher personnel costs associated with the successor Memorandum of Understanding with the Riverside Police Administrators' Association (RPAA).
- Legal Investigative Services (\$100,000) – Increase to the City Attorney's Office budget to fund investigative, witness location, and subpoena services for legal matters prosecuted by the City that are not eligible for coverage under the Liability Insurance Trust Fund.

In April, the City Council also approved the following General Fund budget adjustments:

- Building and Safety Consultant (\$100,000) – Increase to the Community & Economic Development Department for a building and safety consultant to support permitting, plan check, and inspections allowing for more streamlined and speedy processing of permit applications.
- Police and Fire Overtime Costs (\$3,500,000) – Increased funding to the Police and Fire Departments to support overtime costs.
- Section 115 Trust Transfer (-\$794,000): A decrease of \$794,000 in the General Fund, to adjust for an overpayment made to the Section 115 Trust in Fiscal Year 2023/24.
- Cost Savings Measures (-\$1,265,712) – In April, City Council approved approximately \$1.27 million of General Fund costs savings measures to support the budget deficit including:

Cost Savings Measures (General Fund)	
Issue	Amount
Various Parks Programs	\$ 500,000
Police Radio Savings	365,712
City Manager Professional Services	300,000
Education Reimbursement	100,000
Total	\$ 1,265,712

Measure Z (\$1.7 million)

- Real Time Crime Center (\$200,000) – Allocation to implement a Real-Time Crime Center in the Police Department.
- Fire SCBA Kits (\$135,000) – One-time allocation of breathing apparatuses for the Fire Department to Replace worn out and/or non-functional equipment.
- Fire Table Command Incident Software (\$891,313) – Increased funding for the Fire Department for purchase of tablets and software to manage on-scene incidents.
- Fire Marshal (\$104,061) – Increase of 1 FTE for Fire Marshall Position within Measure Z.
- Police Department Fireworks Drone Enforcement (\$86,106.93): One-time purchase of unmanned aircraft systems to assist the Police Department in fireworks enforcement activities.
- Riverside Firefighters' Association MOU Adjustments (\$14,000) – Increase to support higher personnel costs associated with the revised Memorandum of Understanding with the Riverside Firefighters' Association.
- Riverside Police Officer's Association MOU Adjustments (\$245,831) – Increase to Police Department budget to support higher personnel costs associated with the successor Memorandum of Understanding with the Riverside Police Officer's Association and its Supervisory Unit.

In April, the City Council also approved the following Measure Z budget adjustments:

- Fire Overtime Costs (\$500,000) – Increased funding to the Police and Fire Departments to support overtime costs.
- Museum Expansion and Rehabilitation Debt Service – (-\$2,911,806): A decrease of \$2.9 million in the Measure Z associated with delayed debt service payments for the Museum Expansion and Rehabilitation, as payments will not begin until FY 2025/26.
- Measure Z - Police Department – (\$155,000): Record a supplemental appropriation of \$155,000 in the Measure Z Fund for the reinstatement of the Police Lateral Hiring Incentive, bringing the FY 2024/25 budget total to \$200,000.
- Cost Savings Measures (-\$7,699,999) – In April, City Council approved approximately \$7.7 million of Measure Z costs savings measures to help address the budget deficit including:

Cost Savings Measures (Measure Z)	
Issue	Amount
Vehicle Replacement-Fire	\$ 2,000,000
Vehicle Replacement-City Wide	1,600,000
Vacancy Savings	1,100,000
Tree Maintenance	916,719
Technology Improvements	800,000
Various Parks Programs	500,000
Vehicle Replacement-Police	500,000
Senior Disabled Program	200,000
Street Pavement Program	83,280
Total	\$7,699,999

During the first three quarters of FY 2024/25, the City Council approved changes totaling net expenditures of \$1.09 million in the General Fund Infrastructure Reserve:

- Museum Expansion and Renovation Project (\$10 million) – Funding was returned to the General Fund Infrastructure Reserve following Council approval of debt financing for the full project cost.
- Solid Waste (Refuse) Fund Loan (\$2.87 million) – An interfund loan was provided to the Solid Waste Fund for the purchase of solid waste collection vehicles.
- Bordwell Park Gymnasium Project (\$600,000) – An allocation to cover a funding shortfall for the construction award and associated costs, including plan check, permits, inspections, and administration.
- Northside Agriculture Innovation Center (\$2,300,000) – An allocation to support critical infrastructure needs to complete Phase 1 of the Northside Agriculture Innovation Center.
- Economic Development, Project Development, and Tax Consulting (\$133,750) – An allocation to support consultant services for economic development and tax credits.
- Voltu Electric Vehicles (\$2,217,500) – An allocation to support the purchase of 20 Voltu Electrified F350 XL Crew Cab 4WD Trucks. This funding is intended to be partially repaid by the departments and funds purchasing the vehicles for City operations.
- Iowa Avenue Stormwater Facility Repairs (\$490,000) – An allocation to fund emergency repairs to a stormwater facility on Iowa Avenue.
- Purchase of 9518 Magnolia Avenue (\$2,195,000) – An allocation for the acquisition of a building (\$1,895,000) and associated costs (\$300,000) to establish a substation for the Riverside Police Department in Arlington Village.

In addition to the above, on May 6, City Council approved \$280,000 from the General Fund Infrastructure Reserves for the Monticello Landscape Maintenance.

Summary: Based on year-end projections, the General Fund is poised to conclude the fiscal year largely in line with mid-year budgeted expectations. The City currently has \$72.24 million in General Fund Policy Reserves (20% of FY 24/25 adopted budget) and approximately \$138.16 million in other reserves (e.g. Infrastructure, Technology, Water GFT, Section 115). An approximate year-end surplus of \$4.19 million is needed to maintain the City's 20% reserve policy

level goal, which is calculated as a percentage of the FY 2025/26 expenditure budget adopted by the City Council on June 17. Although some year-end savings are anticipated from non-personnel contracts that will spend less than budgeted, net performance may not generate the required surplus. As a result, a rebalancing of various non-policy reserves may be necessary to ensure the 20% policy reserve goal is maintained. The General Fund is projected to remain above the 15% mandatory policy reserve requirement even if a rebalancing strategy is not implemented.

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

- **Regional Parks Capital Improvement Fund (\$500,000):** Record a decrease in the General Fund of \$500,000 and an increase in the Regional Park Special Capital Improvement Fund of the same amount to support the Fairmount Lake Dredging project. This approach uses eligible development impact fee revenues to support the project in lieu of General Fund resources. This enables the City to achieve additional General Fund savings, which may be needed, especially given that two cost savings measures recommended in the second quarter mid-year budget were not adopted.
- **General Fund – City Council Ward 6 (-\$2,000):** Record a budget reduction in the General Fund from City Councilmember Perry's budget of \$1,000 each within Office Expenses and Travel/Meeting Expense to be applied to savings for the General Fund.

Electric Fund

The FY 2024/25 adopted budget for the Electric Fund projects a \$9.3 million operating gain, excluding bond proceeds and capital project allocations. The Electric Fund is on target to meet budgeted expectations as of the third quarter of FY 2024/25.

Revenues: As of the end of the third quarter, Electric revenues stand at 81.0% of budgeted projections. Projected retail sales were expected to be at 76.7% of total budget through March 2024. Retail sales are 78.2% (\$296.9M) of total budget through March 2025, which are 2.4% (\$8.9M) higher than expected. The higher than anticipated retail revenues are a result of increased electric consumption attributed to warmer temperatures through the third quarter of the fiscal year. Increased electric retail sales do not have a corresponding increase in electric expenses. Weather can significantly impact retail revenues, which will be monitored through the remainder of the fiscal year.

Transmission revenues are projected to perform better than anticipated for the remainder of the fiscal year. Transmission revenues are projected to be 24.4% (\$6.0M) higher than budget due to an increased rate reflective of an increase in SCE transmission costs.

Expenditures: Electric operating expenditures are 67.9% of the total budget at the end of the third quarter. Personnel savings are anticipated due to a vacancy rate of 16.5%. Non-personnel expenditures are expected to align with the budget.

Water Fund

The FY 2024/25 adopted budget for the Water Fund projected a \$3 million net gain before capital expenditures. A net draw on fund reserves of approximately \$5.63 million was projected when including budgeted bond proceeds and capital expenditures. This drawdown in reserves is a strategy employed to fund various infrastructure projects that support the continuation of quality services to the citizens of Riverside while keeping rates low. Current overall projections within the Water Fund are in line with budgeted expectations.

Revenues: As of the end of the third quarter, total operating revenues for the Water Fund are at \$78 million, representing 78.9% of budgeted projections. Retail sales are outperforming the original budget, coming in at 81.5% (\$66.5M) as of the third quarter, driven by higher-than-anticipated water consumption, which appears to be driven by warmer temperatures and less precipitation through the three quarters of the fiscal year. Increased water retail sales do not have a corresponding increase in water expenses. Weather, including precipitation, can significantly impact retail revenues, which will be monitored throughout the remainder of the fiscal year.

Water Wholesale and Conveyance Revenue is projected to be less than anticipated due to reduced demand from other utilities. The revised revenue projection is expected to be \$1.8 million or (31%) less than the original projection of \$5.9 million. Many factors can impact the revenues, which will be monitored through the remainder of the fiscal year.

Expenditures: At the end of the third quarter, Water Fund operating expenditures stand at 64% of the budget. Personnel savings are anticipated due to a vacancy rate of 8.5%. Non-personnel expenditures are trending 59% as of the third quarter; however, it is important to note some expenditures vary in their timing throughout the fiscal year. Overall, water expenditures are projected to remain within the budgeted appropriation limit at fiscal year-end.

Refuse (Solid Waste) Fund

The FY 2024/25 adopted budget for the Refuse Fund anticipates a net operating loss of approximately \$3.1 million, primarily due to rising disposal costs, compliance with state mandates, and operational challenges related to fleet maintenance and staffing shortages. The fund began the fiscal year with \$6 million in reserves, which are sufficient to cover the projected deficit. As of the third quarter, financial projections indicate that the Refuse Fund remains on track with this estimate.

Revenues: As of the third quarter, Refuse Fund revenues are at \$27.3 million, representing 76% of budgeted projections for the fiscal year. While street sweeping revenues were originally expected to increase, delays in the delivery of new street sweepers has affected operational efficiency which has delayed anticipated revenue growth in this category.

Expenditures: Total expenditures through the third quarter are \$25.0 million, representing 51.2% of the total budget. Delays in vehicle replacement and higher maintenance needs have increased reliance on private haulers. An emergency private hauler contract was issued in September 2024 to address the service gaps. This has resulted in private hauler costs exceeding the budgeted amount, however personnel and other savings are anticipated to fully offset those increased costs. Maintenance cost savings are anticipated to begin in the fourth quarter as older vehicles are replaced with new ones.

Personnel savings are anticipated due to a vacancy rate of 22.4%. Savings in other areas are anticipated to offset the estimated overage in private hauler costs.

Sewer (Wastewater) Fund

The FY 2024/25 adopted amended budget projects a net operating gain of \$9.4 million excluding capital expenditures but anticipates a total draw on fund reserves of approximately \$0.51 million when including capital expenditures. As of the third quarter, the fund is generally operating within budgeted expectations except for new development and sewer connections revenue.

Revenues: As of the third quarter, Sewer Fund revenues are at \$54.5 million, representing 66.6% of budgeted projections for the fiscal year. The fund continues to experience lower revenue in sewer connections due to a slowdown in new development and sewer hookups. Other revenues within the fund, specifically in the non-residential category, continues to slightly outperform budgeted expectations. Although overall revenue is trending slightly lower than budget projections, there is no recommendation to lower budget projections at this time.

Expenditures: Total expenditures through the third quarter are \$56.3 million, representing 73.5% of the total budget. The fund has a 19.8% vacancy rate at the end of the third quarter. The high vacancy rate requires staff to work overtime to cover shifts and manage the increased workload. As a result, overages are expected in the overtime budget which will be offset by personnel vacancy savings. In the non-personnel budget, costs for chemical supplies are rising due to increased prices for materials. In April, the City Council approved a supplemental appropriation of \$788,756 to address increased costs for chemical supplies.

Public Parking Fund

The FY 2024/25 adopted budget for the Public Parking Fund projected a net gain of \$1 million excluding capital expenditures but anticipates a total draw on fund reserves of approximately \$0.55 million when including capital expenditures. On April 18, 2023, the City Council approved a new Parking Rate and Hour Schedule effective July 1, 2023. These adjustments, along with other related expenditure adjustments, are incorporated into the FY 2024/25 adopted budget.

Revenues: As of the third quarter, the Parking Fund revenues are at \$9.1 million, representing 87.1% of budgeted projections for the fiscal year. The parking fund is on target to exceed their estimated revenues. The downtown parking operation has experienced a significant turnaround in utilization, leading to a positive annual increase in revenues due to the implementation of the Parking Your Way program, incorporating more accessible free parking, new parking rates, expanded hours of operation, new monthly parking programs, the rollout of the Park Riverside app, and the installation of Parking Access Revenue Control Systems (PARCS) in the garages. The third quarter analysis shows an approximate 20% growth compared to prior year's third quarter revenues.

Revenues from parking citations associated with Street Sweeping are trending lower than anticipated through the second quarter, partly due to delays in the acquisition of street sweeping vehicles. Once the vehicles are delivered, this revenue is expected to rebound. Further, in April 2025, City Council adopted increases to the Parking Bail schedule, which is also anticipated to result in higher revenues beginning in the fourth quarter.

Expenditures: Operating expenditures were at 57% of the total budget by the end of the third quarter, which is lower compared to the previous quarter due to technical correction related to debt service obligations. The fund has a 4.4% vacancy rate at the end of the third quarter. Staffing shortages, combined with extended operating hours, have resulted in increased overtime needs.

Monthly operating costs for Parking Concepts Inc. (PCI) are higher than expected due to the continued implementation of the Parking Your Way program. This program includes extended hours of operation, new parking programs, additional staffing, additional credit card transaction fees, equipment installation, and weekly power washing maintenance. However, increased

revenues generated from Parking Your Way are anticipated to offset the additional operating expenses with PCI.

STRATEGIC PLAN ALIGNMENT:

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

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

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

FISCAL IMPACT:

The City's budget remains strong and is well positioned to weather whatever economic headwinds may appear. As of the second quarter, the General Fund and Measure Z faced some challenges due to a decrease in budgeted revenues, such as sales taxes, and increased unanticipated costs including Police and Fire overtime and MOU costs. However, in April, the City Council took early action as part of mid-year budget adjustments to adopt cost savings measures to address the lower revenue estimates and increased unanticipated costs.

As of the third quarter, the General Fund and Measure Z budget generally remains within expectations presented and adopted in the mid-year budget adjustments. However, the future remains uncertain and potential risks, including the effects of rapidly changing federal policies, continue to present challenges that could impact the City's financial outlook in the current year and future years. Given these uncertainties, City staff continue to recommend exercising caution when considering any additional spending.

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

The Refuse Fund remains within budget, despite short-term cost pressures which are expected to persist through the third quarter. Financial relief is projected for the fourth quarter as new vehicles are delivered and critical staff are onboarded. The fund continues to draw down on reserve balances to support operational costs, with the expectation that the fund will break-even by FY 2027/28.

The Sewer Fund is experiencing slightly under-performing revenue as compared to budget. However, the fund is also experiencing a lower expenditure trend, partly due to a high vacancy rate, and is expected to remain within budget.

Due to the continued implementation of the Parking Your Way program, the Public Parking Fund has sustained a significant upturn in utilization. The fund is projected to end the fiscal year with higher revenues and lower expenditures than adopted in the budget.

Prepared by:	Peter Kakos, 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/Treasurer
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachment:

1. Presentation