



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS

DATE: MARCH 14, 2024

FROM: FINANCE DEPARTMENT

WARDS: ALL

SUBJECT: MEASURE Z SPENDING PLAN REVIEW

ISSUE:

Receive and provide input on the Measure Z Spending plan and make recommendations to staff related to Measure Z spending priorities, strategies, and spending items for the upcoming development of the Fiscal Year 2024-2026 Biennial Budget.

RECOMMENDATIONS:

That the Budget Engagement Commission receive and provide input on the Measure Z Spending plan and make recommendations to staff related to Measure Z spending priorities, strategies, and spending items for the upcoming development of the Fiscal Year 2024-2026 Biennial Budget.

BACKGROUND:

On November 8, 2016, the Mayor and City Council placed a measure on the ballot for a one-percent increase in the City's sales tax rate to help address the service cuts identified during the fiscal year (FY) 2016-2018 budget process and a portion of the City's critical unfunded needs. When Measure Z was presented to voters it asked them to consider a yes or no vote to:

“...prevent cutting police, firefighters, paramedics, 911 emergency response, anti-gang/drug programs, homelessness reduction and youth after-school/senior/disabled services; to repair local streets/potholes/infrastructure; and to provide other general services, shall a one-cent transaction and use tax (sales tax) be implemented providing \$48,000,000 annually through 2036 unless extended by the voters, requiring independent audits with no funds to Sacramento, all funds remaining for Riverside?”

Riverside's residents approved Measure Z with nearly 60% approval. The Measure Z tax became effective April 1, 2017, thereby increasing the City's sales tax rate from 7.75% to 8.75%. Measure Z will sunset in 20 years unless it is approved again in a mandatory election in November 2036.

The first Measure Z Spending Plan was developed through the joint efforts of the Budget Engagement Commission (BEC), City Council, and City staff. Through collaboration, the following priorities were defined to guide the creation of the initial Measure Z Spending Plan:

- **Fiscal Discipline:** It is imperative for the City to continue strengthening its financial position, increasing reserves, and paying off debt/liabilities.
- **Critical Non-Safety Service Needs:** These items represent critical, non-public safety related items that are necessary to avoid reducing services to the public.
- **Critical Public Safety Needs:** Funding for police and fire personnel, dispatchers, and other civilian positions in support of the sworn police positions; and police and fire vehicles.
- **Quality of Life Issues:** Funding for streets, tree trimming, and personnel to address quality of life issues in the community. Riverside made a significant investment in its infrastructure during the Renaissance and needs to continue building on that momentum.
- **Critical Infrastructure Needs:** The Riverside Renaissance capital improvement project successfully revitalized the City. However, it has been over ten years since that significant capital investment was made. The City has additional capital needs, which must be addressed.
- **Technology Needs:** The City has many needs for critical technology items, such as a new enterprise resource planning (ERP) system to effectively manage financial and personnel resources, cyber security tools, and hardware replacements (servers, storage, network, etc.).

Since the initial adoption of the spending plan, additional spending initiatives have been added to the plan, with several contributing to multiple spending categories.

On January 11, 2024, the BEC received a report and presentation on an update on the FY 2024-2026 budget development and related community engagement. Commissioners requested an additional breakdown of the non-departmental costs included in the Measure Z Operating Fund presentation slide.

DISCUSSION:

Staff is currently developing the FY 2024-2026 Biennial Budget that will be presented to the City Council for adoption in June 2024. This process will incorporate a review and update of the Measure Z Spending Plan and will contemplate current spending items and new initiatives. In preparation for this process, BEC feedback is solicited on budget priorities and the Measure Z Spending Plan.

Measure Z Spending Item Characteristics

The following are characteristics of items funded by Measure Z:

- **One-Time:** Requests for a one-time, fixed amount for a limited duration. These items are time sensitive to the year in which they are requested. These items can be defunded, if necessary, depending on contractual obligations. Items in this category include but are not limited to: cash purchases of equipment and vehicles; cash-funded projects (excluding the construction of new facilities); and stand-alone services (excluding personnel). While spending in this category may support critical services, future expenditures can be reduced without defaulting on debt obligations or impacting existing personnel.

- **Ongoing:** Requests with no specified end date or of a limited duration. Ongoing expenditures represent ongoing obligations that cannot be easily defunded, such as cash funding of new facility construction, or operational support such as personnel costs and General Fund support. Some ongoing items entail escalating costs, such as position enhancements or FTE increases. Personnel costs are expected to increase annually with merit increases and increases per the applicable Memorandums of Understanding (MOU).
- **Debt obligations:** Debt obligations cannot be scaled back at any point. Alternative funding to pay debt obligations would have to be identified if Measure Z funding is discontinued.

Stakeholder 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.

In October 2023, the City initiated the budget development process for the Fiscal Year (FY) 2024-2026 two-year budget, which will encompass FY 2024/25 and FY 2025/26. In early October, the City mailed a postcard to City residents in addition to social media notices inviting them to upcoming budget workshops in each Ward (Attachment 1). 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>.

A budget survey (Attachment 4) provided in Spanish and English 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. The survey will help City leadership to make informed decisions about the allocation of resources for the upcoming budget. The survey was completed by a total of 37 attendees across the seven City wards. The results are provided in Attachment 4. The survey is also available online at <https://riversideca.gov/press/your-money-your-voice>. Online survey results will be compiled and considered during budget development alongside the survey results received from the ward meetings.

BEC Feedback

BEC feedback is a valuable resource for staff during the development of the FY 2024-2026 Biennial Budget. Early engagement on the Measure Z Spending Plan will inform internal review of department's budget submissions and the creation of a proposed budget. A budget workshop will be conducted for the BEC on April 11, 2024.

The following questions may facilitate the BEC discussion and result in actionable feedback for City staff:

1. Does the current spending plan reflect the purpose for which the tax was implemented? (Attachments 2 & 3)
 - a. Are any changes recommended to current spending items to improve alignment? (Attachment 1)
2. If new programming is possible, what spending priorities does the BEC recommend? (Attachment 4 includes community survey results)
3. What factors should be taken into consideration when prioritizing budget requests?

STRATEGIC PLAN ALIGNMENT:

Each spending item funded by Measure Z aligns with one or more of the City Council's strategic priorities. This report, seeking to educate and share information, aligns with **Strategic Priority 5: High Performing Government**.

The Measure Z Spending Plan and this report aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The opportunity to review the Measure Z Spending Plan is an inclusive and transparent process that incorporates community engagement, involvement of the Budget Engagement Commission, and timely and reliable information.
2. **Equity** – The Measure Z Spending Plan and related discussions are accessible to individuals via the City website and the Riverside community at large is invited to participate in community engagement efforts and public meetings related to the review of the Measure Z Spending Plan.
3. **Fiscal Responsibility** – The separate accounting and reporting of items funded by the Measure Z Spending Plan, as well as the process of discussion and public participation for new funding requests, demonstrate fiscal responsibility in the administration and use of Measure Z funds.
4. **Innovation** – The unique reporting style exhibited in the Measure Z Spending Plan demonstrates an innovative method of sharing information in a transparent and easy-to-understand manner.
5. **Sustainability & Resiliency** – The careful deliberation of Measure Z Spending Items and periodic review and discussion demonstrates the City's commitment to the prudent use of funds to address current critical needs.

FISCAL IMPACT:

There is no fiscal impact as a result of this report. The BEC discussion and recommendations will be considered by staff during the development of the FY 2024-2026 Biennial Budget.

Approved 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: Phaedra A. Norton, City Attorney

Attachments:

1. Measure Z Spending Plan
2. Measure Z Spending Priorities
3. Measure Z Spending Item Status
4. Community Survey Results
5. Presentation