



Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE **DATE: APRIL 20, 2026**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: FISCAL YEAR 2026-2028 BIENNIAL BUDGET WORKSHOP

ISSUE:

Receive and provide feedback on the General Fund and Measure Z Spending plan of the upcoming Fiscal Year 2026-2028 Biennial Budget.

RECOMMENDATION:

That the Finance Committee receive and provide feedback on the General Fund and Measure Z Spending plan of the upcoming Fiscal Year 2026-2028 Biennial Budget.

BACKGROUND:

The City adopts a two-year budget and prepares a five-year plan 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 began in summer 2025, when City departments identified potential priority needs for the upcoming biennial budget. In August and September, the Budget Office developed the baseline budget. This generally includes updated revenue assumptions and required expenditure adjustments to support existing baseline levels of service. In October and November, the City conducted community budget forums to obtain initial feedback and identify residents' top priorities. The City also subsequently released an online survey to gather additional community feedback. City Departments worked with the City Manager's Office through February to finalize

proposed operating and capital budgets aimed at addressing priority needs, while accounting for fiscal limitations.

In April, 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. Below is a list of planned meetings from April to June related to the proposed 2026-2028 Biennial Budget.

Date	Time	Meeting Body	Subject
April 9, 2026	5:00 P.M.	Budget Engagement Commission	General Fund/Measure Z Budget Workshop
April 13, 2026	5:00 P.M.	Board of Library Trustees	Library Preliminary Budget
April 13, 2026	6:30 P.M.	Board of Public Utilities	Public Utilities Preliminary Budget
April 22, 2026	3:00 P.M.	Museum of Riverside Board	Museum Preliminary Budget
April 20, 2026	1:00 P.M.	Finance Committee	Budget Workshop
May 14, 2026	9:00 A.M.	Planning Commission	Proposed CIP Conformance to General Plan
May 14, 2026	5:00 P.M.	Budget Engagement Commission	Proposed Budget
May 18, 2026	6:30 P.M.	Park & Recreation Commission	Parks, Recreation, & Community Services Department Preliminary Budget
May 19, 2026	Afternoon	City Council	Proposed Budget
June 23, 2026	Evening	City Council	Final Budget Adoption

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.

Between October 2025 and November 2025, the staff held 6 community budget forums throughout the City titled “Your Money, Your Voice”. The City took a theme-based approach with the goal of providing more focused discussions, giving residents the option to attend sessions on topics that matter most to them, and gather more actionable input to guide the budget. Staff selected three meeting themes (1-Public Safety/Housing & Human Services, 2-Public Works/Community and Economic Development, and 3-Parks/Library/Museum) based on areas where staff historically receive the most community feedback and where resident input can best inform funding priorities. The City posted notices on social media platforms and distributed emails through various list serves, inviting community members to the community budget forums. In-

person translation services were made available for individuals who speak Spanish and those who are deaf or hard of hearing.

A budget survey was subsequently released in January and was available for one month. The survey was designed to measure level of satisfaction with City services and to gain an understanding of what current services, programs, and facilities the Riverside residents deem least and most important. Approximately 50 residents attended the community budget forums. An additional 227 respondents completed the online survey between January 21, 2026 – February 23, 2026. A summary of the community budget forum feedback and budget survey outcome is attached to this report.

DISCUSSION:

The City experienced several years of high revenue growth from both one-time and ongoing revenue sources. Revenue continues to grow, but now at moderate levels. At the same time, expenditures and critical needs have continued to increase. Expenditure increases are now projected to outpace revenue growth, resulting in projected deficits between \$27M and \$34M in the first two fiscal years of the proposed Fiscal Years (FYs) 2026-2028 biennial budget.

Although the City continues to maintain strong reserve levels, staff recommend taking a conservative approach to balance the budget that generally limits the use of reserves and instead provides cost reduction measures and other one-time solutions to address the projected deficits. These proactive measures advance a balanced multi-year budget that address ongoing fiscal uncertainty, while preserving core services, and providing flexibility to increase spending in future years if revenue growth increases beyond the revised projections.

General Fund and Measure Z Reserves

The City is in a strong financial position with record level policy and discretionary reserves. While significant reserve balances are available to help offset an economic downturn, reserve balances should generally be used when experiencing a more severe economic downturn, in order to protect core City services. However, the proposed 2026-2028 biennial budget does include use of pension related reserves to support increased pension costs and continues a strategic drawdown on the Measure Z balance. Below is a recap of the City’s General Fund and Measure Z Reserve Balances as of March 2026, which align with the City’s reserve policies:

General Fund	
Policy Reserves	Balance (in millions)
Emergency Reserve (15%)	\$57.32
Contingency Reserve (5%)	19.11
Total	\$76.43
Other Reserves	
Reserved for Section 115 Trust	\$18.23
Infrastructure Reserve	6.37
Technology Reserve	5.00
Water GFT Escrow	25.82
Section 115 Trust	96.77
Unassigned	9.56
Total	\$161.75
Total General Fund Reserves	\$238.18

Measure Z	
Reserve	Balance (in millions)
Fund Balance	\$24.34
Policy Reserve	5.00
Total Measure Z	\$29.34

- **General Fund Policy Reserves:** City Council adopted a General Fund Reserve Policy in September 2016 requiring a minimum 15% reserve balance, with a goal of 20%, 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 as of March 2026 is \$6.37M. Although the fund is anticipated to slightly grow over the next several years due to scheduled repayments of loans provided to the Solid Waste, Airport, and Parking Funds, there are significant infrastructure demands that need to be prioritized within available funding.
- **Technology Reserve:** The balance as of March 2026 is \$5M. There are no proposed uses for the Technology Reserve at this time. This reserve is recommended to remain intact pending the outcome of various contemplated technology upgrades.
- **Section 115 Trust Set-Aside:** The City previously set aside \$35M per Council action to offset Section 115 Trust contributions and alleviate General Fund pressure. As of March 2026, \$18.23M remains in the set aside. The proposed biennial budget uses \$10.8M of this balance, leaving \$7.4M as a contingency for potential future CalPERS Unfunded Accrued Liability (UAL) cost increases.
- **Section 115 Trust Fund:** The balance as of March 2026 is \$96.8M. The proposed budget includes an additional transfer of \$2.9M to the trust in FY 2026/27, which is estimated to bring the trust balance over \$100M, inclusive of market value growth. The proposed budget includes a \$12.4M drawdown on the trust in FY 2027/28 and forecasts additional draws on the trust between \$12M and \$15.3M from FYs 2028/29 through FY 2030/31.

General Fund and Measure Z Deficits

On June 25, 2024, City Council adopted the FY 2024-2026 Biennial Budget, which balanced General Fund revenues and expenditures across all five years. The adopted budget also approved a Measure Z spending plan that strategically spent down the available balance by increasing expenditures for several programs over the first three years of the plan.

Why Deficits have Emerged

Slowing revenue growth, rising personnel and pension costs, inflationary cost increases, and the pace of local economic development all challenge the City's ability to keep recurring costs in line with ongoing revenues. When compared to the balanced multiyear forecast in the last adopted biennial budget, revenues are projected to decrease by \$8.1M in FY 2026/27 and \$9.1M in FY 2027/28. At the same time, expenditures are projected to increase by \$19.0M in FY 2026/27 and \$25.0M in FY 2027/28. This upward cost pressure and slower revenue growth is producing General Fund deficits of \$27.1M in FY 2026/27 and \$34.0M in FY 2027/28.

Why the City Is Facing A Budget Deficit (Significant Changes from Previous Adopted Biennial Budget) (in thousands)		
General Fund		
Issue	FY 2026/27	FY 2027/28
Revenues		
Property Tax	\$ (297)	\$ (2,186)
Sales Tax	(1,334)	(1,213)
Utility Users Tax	(1,680)	(1,765)
Franchise Fees	(1,101)	(1,217)
Licenses and Non-Dev Permits	(2,778)	(3,043)
Other Financing Sources	(1,650)	(1,650)
Various Other Adjustments	739	2,021
Total Revenues	(8,102)	(9,052)
Expenditures		
Payroll, Health, Benefits	4,124	9,385
CalPERS UAL	6,025	6,072
Workers Comp/General Liability Trust	3,247	2,872
Charges to/From & CAP	4,748	3,728
Special Fund Subsidies	-1,908	-1,627
Critical Needs	4,586	6,465
Other Baseline Adjustments	-1,809	-1,938
Total Expenditures	19,033	24,979
Total	\$ (27,135)	\$ (34,031)

Although Measure Z is facing similar issues as the General Fund, the deficits compared to the prior adopted biennial budget appear to primarily be impacted by revenue decreases compounded by expenditure growth. Measure Z revenue experienced two consecutive years of revenue declines, which started in FY 2024 and was the first revenue decrease since the inception of Measure Z. Additionally, personnel expenditures, primarily in public safety, continue to increase and outpace growth in revenue. This upward cost pressure and revenue decline is producing a net decrease of \$9.9M in FY 2026/27 and \$12.4M in FY 2027/28 compared to the prior adopted budget.

Why the City Is Facing a Budget Deficit (in thousands) (Significant Changes from Previous Adopted Biennial Budget) (In Thousands)		
Measure Z		
Issue	FY 2026/27	FY 2027/28
Revenues		
Transaction and Use Tax	\$ (5,450)	\$ (5,865)
Interest	200	200
Total Revenues	(5,250)	(5,665)
Expenditures		
Payroll, Health, Benefits	2,709	3,944
CalPERS UAL	780	804
New Programs/Critical Needs	1,115	1,983
Total Expenditures	4,604	6,731
Total	\$ 9,854	\$ 12,396

Balancing the Budget

Staff propose a multi-pronged approach to address the projected deficit with a mix of one-time and ongoing solutions developed under the following framework:

- 1) Protects core City services
- 2) Strategically phases in reductions
- 3) Maximizes one-time solutions
- 4) Minimizes use of reserves
- 5) Maintains long-term fiscal sustainability.

In summary, the City closes the gap through:

Deficit Reduction Measures		
<i>(in thousands)</i>		
General Fund		
Issue	FY 2026/27	FY 2027/28
Cost Reductions	\$ 8,016	\$ 10,739
Use of Unassigned Fund Balance	5,599	3,963
General Liability Trust Fund True Up	2,356	-
Fees and Charges CPI Increase	862	1,191
Section 115 Trust/Set Aside	10,303	18,138
Total	27,135	34,031
Measure Z		
Issue	FY 2026/27	FY 2027/28
Cost Reductions	9,935	11,533
Total	9,935	11,533

Cost Reductions—The City has experienced between 5% and 10% expenditure growth over the past three years, primarily in personnel related costs. This has significantly contributed to the projected deficits in General Fund and Measure Z. Finance staff collaborated with City departments to identify cost reduction areas through two steps: 1) by reviewing expenditures that historically generate savings, and 2) evaluating areas where reductions could be implemented without significantly impacting core City services, including strategically holding positions vacant. Staff recommend total cost reductions of \$17.95M in FY 2026/27 and \$22.27M in FY 2027/28 across General Fund and Measure Z to address the projected deficit. Some of these reductions are phased in and result in higher reduction levels starting in FY 2027/28. This approach strategically provides flexibility to potentially pull back any proposed reductions in the second year if the revenue growth improves beyond projected levels. Even with these reductions, most programs still receive budgets above historical levels. A detailed list of all proposed cost reductions is attached to this report.

Use of Unassigned Fund Balance—The 2024/25 fiscal year ended with a net \$9.56M unassigned surplus after required transfers to reserves, including an additional \$4.19M transfer to the policy reserves. Although the City ended the fiscal year with a surplus, it is not anticipated to be an ongoing structural surplus as it was mostly driven by one-time revenue increases. Staff are proposing to use this one-time surplus to partially offset the projected deficit in FY 2026/27

and FY 2027/28. Specifically, the unassigned balance would be shifted to the General Liability Trust Fund and offset the need for the required General Fund allocation to the Trust Fund across two years.

General Liability Trust Fund True up—Adopted City Council policy requires the City to reserve 50% of estimated workers compensation and general liability claims and liabilities, as estimated by the City’s actuary, in separate trust funds. The City’s methodology requires all funds to contribute to the trust fund based on a combination of staff assigned to each fund and claim trends associated with each fund. Between 2017 and 2022, the General Fund and Measure Z contributed \$7.5M in supplemental payments to the General Liability Trust Fund given that the balance in the fund was below City Council adopted policy level. However, based on the City’s methodology, the other City funds should have also contributed their fair share. This one-time true up requires the other funds to pay their share of the \$7.5M supplemental payment and reduces the amount of General Fund contributions needed to be allocated to the trust in FY 2026/27.

Fees and Charges CPI Increase—In June 2024, the City Council adopted a revised Master Fees and Charges Schedule based on a comprehensive consultant study using FY 2023/24 cost data. Development-related fees and charges were subsequently adopted in June 2025. The study relied on City cost data from FY 2023/24. To ensure fees remain aligned with the City’s cost of providing services and to avoid delays in periodic updates, staff recommend amending the Municipal Code to allow automatic annual Consumer Price Index (CPI) adjustments while continuing comprehensive fee studies every three to five years. This amendment will be brought forward to City Council for consideration as part of the FY 2026/27 Master Fees and Charges Schedule update. Applying this methodology results in a 5.7% increase to most fees and charges in FY 2026/27, reflecting CPI growth since 2024, with future annual increases estimated at approximately 2%.

Section 115 Trust/Set Aside—In 2019, the City established a Section 115 Trust to set aside funding needed to smooth out pension unfunded accrued liability costs in future years with significant anticipated growth. The City’s goal was to reach \$100M in the trust before beginning to draw on the funds. The City also set aside an additional \$35M in a General Fund reserve to offset General Fund contributions to the trust. The Trust is anticipated to reach the \$100M goal in FY 2026/27. As such, staff are proposing to draw \$7.8M from the set aside funds in FY 2026/27 and a total of \$14.4M from the set aside funds and the Section 115 trust in FY 2027/28. This approach helps offset increasing UAL costs, which are contributing towards the deficit. Although this proposal draws on the funds earlier than anticipated, it reflects significant growth in the trust and is still projected to smooth out payments in future years, as originally intended.

As a result of these budget balancing measures, staff proposes a budget that is balanced across all five years of the General Fund forecast with projected annual revenue and expenditure growth between 3% and 5%. For Measure Z, staff recommend continuing a strategic fund balance drawdown until projected revenue begins to exceed expenditures in FY 2030/31.

2026-2028 Proposed Biennial Budget (in thousands)					
	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
General Fund					
Revenue/Transfers In	\$383,146	\$403,548	\$ 419,738	\$ 431,872	\$444,256
Expenditure/Transfers Out	(383,146)	(403,548)	(419,738)	(431,872)	(444,256)
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Measure Z					
Revenue/Transfers In	\$84,551	\$ 86,983	\$ 90,422	\$ 94,446	\$ 99,119
Expenditure/Transfers Out	(95,204)	(93,019)	(95,672)	(96,668)	(99,039)
Fund Balance Drawdown	10,653	6,036	5,250	2,222	
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ 79

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 approving increases in fees and charges for services.

General Fund (in thousands)					
Revenue Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	%Change FY 26/27	%Change FY 27/28
Property Taxes	\$ 96,473	\$ 101,784	\$ 105,000	5.5%	3.2%
Sales Tax	94,092	98,323	101,587	4.5%	3.3%
Cannabis Tax	1,000	1,000	1,000	0.0%	0.0%
Utility Users Tax	37,121	37,345	38,647	0.6%	3.5%
Transient Occupancy Tax	8,927	9,271	9,464	3.9%	2.1%
Franchise Fees	7,160	6,450	6,697	-9.9%	3.8%
Licenses & Non-Dev. Permits	11,106	11,175	11,383	0.6%	1.9%
Non-Dev. Charges	12,214	12,753	13,148	4.4%	3.1%
Dev. Fees & Charges	9,735	8,490	8,734	-12.8%	2.9%
General Fund Transfer	56,199	60,378	64,701	7.4%	7.2%
Measure Z Transfer	25,633	18,266	18,266	-28.7%	0.0%
Section 115 Set Aside/Trust	12,003	7,828	14,393	-34.8%	83.9%
Other Revenues/Transfers In	10,495	10,085	10,530	-3.9%	4.4%
Total Revenues & Transf. In	\$ 382,157	\$ 383,146	\$ 403,548	0.3%	5.3%

Measure Z (in thousands)					
Revenue Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	%Change FY 26/27	%Change FY 27/28
Sales Tax	\$ 83,296	\$ 83,551	\$ 85,983	0.3%	2.9%
Interest Earnings	800	1,000	1,000	25.0%	0.0%
Total Revenues & Transf. In	\$ 84,096	\$ 84,551	\$ 86,983	0.5%	2.9%

Major revenue assumptions are as follows:

- **Property Tax**—Over the past decade, the City has experienced substantial growth in assessed property values. In FY 2024/25, total property tax revenues increased 6.4% over the prior year, driven largely by a 5.3% increase in assessed property values per the 2024-25 assessment roll. Additionally, property tax revenue from the successor agency (previously tied to redevelopment) grew by 11.2% as compared to the prior year.

Although property tax growth has continued to increase over the past two years, it is anticipated to moderate and grow at a more normalized rate. Looking ahead, the budget anticipates annual property tax revenue growth of 5.5% in FY 2026/27 followed by a moderated 3.2% increase in FY 2027/28. However, over the past two years the City has been engaging in various efforts to bolster economic development in the City with additional housing, commercial, and entertainments developments currently in progress. The forecast assumes property tax increases between 4.5% and 5% in FY 2028/29 through FY 2030/31 to account for additional anticipated revenue associated with increased economic activity in future years.

- **Sales Tax (General Fund and Measure Z)**—Over the past 15 months, economic uncertainty and rapidly evolving federal policies has made revenue forecasting more challenging, particularly for sales tax. Actual General Fund sales tax revenues in FY 2024/25 finished 2.7% above the prior year and 3.3% above the revised FY 2024/25 projections, driven largely by strong vehicle sales. However, early indicators suggest some softening in consumer and business spending, reflected in slower growth in General Fund sales tax revenues. Looking ahead, the budget assumes 4.5% growth in FY 2026/27, followed by a more moderate 3.3% increase in FY 2027/28. Over the past two years, the City has also advanced several economic development initiatives, including new housing, commercial, and entertainment projects. Similar to the property tax forecast, the budget assumes General Fund sales tax growth between 4.0% and 5.5% annually from FY 2028/29 through FY 2030/31, reflecting the anticipated revenue impacts of expanded economic activity.

Measure Z revenues have recently lagged behind the growth experienced in the General Fund. Since voter approval in 2017, Measure Z revenues grew steadily, reaching a peak of \$84.02 million in FY 2022/23. In FY 2023/24, revenues declined 2.5% to \$81.90 million, marking the first decrease since the measure's adoption. Revenues declined again in FY 2024/25, falling 0.7% to \$81.33 million. Looking ahead, the budget projects modest growth of 0.5% in FY 2026/27, followed by a 2.9% increase in FY 2027/28. Similar to the General Fund Sales Tax forecast, the long-term outlook assumes annual growth between 4.0% and 4.9% from FY 2028/29 through FY 2030/31, reflecting anticipated increases in economic activity in future years.

- **Cannabis Tax**—The City Council adopted an 8% Cannabis Business Tax rate and recent changes that authorizes a maximum of seven cannabis retailers to operate in the City. Although there are ongoing uncertainties for when all businesses will be operational, the budget continues conservative projections of \$1M for Cannabis Business Tax revenue in FY 2026/27 and FY 2027/28. However, the outyear forecast assumes Cannabis Business Tax revenue will grow to \$3M by FY 2029/30.
- **Franchises Fees**—Although most franchise fees have experienced annual growth, there has been significant annual declines in cable tv associated franchise fees. The budget

assumes a continued decline in cable tv fees, which results in a 9.9% decrease in FY 2026/27 compared to the FY 2025/26 budget. The budget assumes moderate growth in other franchise fees of approximately 4% in future years.

- **Licenses & Non-Developer Permits**—Business license tax revenue projections were increased as part of the FYs 2024-2026 biennial budget due to anticipated revenues from a newly implemented business discovery program; however, the higher level of revenue did not materialize. As a result, FY 2024/25 actual revenue came in 14.7% less than projected and the FY 2025/26 budget was adjusted downward to reflect the lower than anticipated revenue. The proposed budget assumes moderate growth levels of .6% and 1.86% in FY 2026/27 and FY 2027/28, which is \$2.1M lower than projections under the prior biennial forecast.
- **Fees and Charges for Services**
 - *Development Fees and Charges*—In FY 2024/25, revenues came in significantly under projections by 22.9% due to anticipated developer fees and charges increases that were incorporated into revenue projections but did not come into effect until June 2025, compounded by a decreased volume of building permits compared to the prior year. Decreased revenue in this category has continued into the first two quarters of FY 2025/26 despite adoption of recent fee increases, most likely due to inflationary costs, a higher interest rate environment, and related financing costs for development. The proposed budget assumes a 12.8% decrease in FY 2026/27 compared to FY 2025/26 budgeted amounts and moderate growth of 2.9% in FY 2027/28. The outyear forecast assumes revenue growth between 2.8% and 3.0% in FY 2028/29 through FY 2030/31.
 - *Non-Development Fees and Charges*—The proposed budget assumes a 4.4% increase in FY 2026/27 compared to FY 2025/26 budgeted amounts and moderate growth of 3.1% in FY 2027/28. The outyear forecast assumes revenue growth between 3.1% and 3.4% in FY 2028/29 through FY 2030/31.

The proposed budget also assumes Council adoption of municipal code changes to apply an automatic inflation increase to City fees and charges to recover increasing City costs of providing services. This results in a 5.7% increase to most fees and charges in FY 2026/27 to catch up with two years of inflation increases and estimated annual increases of approximately 2% thereafter.

- **General Fund Transfer**—GFT revenue is projected to increase by 7.4% in FY 2026/27 and 7.2% in FY 2027/28. This revised estimate incorporates relevant drivers like weather assumptions, customer growth, and accounting-related considerations. The budget continues to assume the Water GFT revenue will be escrowed until pending litigation is resolved.

Expenditures

The Budget Office updates the budget for routine adjustments resulting from personnel changes, labor agreement impacts, pension liabilities, updates in debt service obligations; and updated charges to/from departments (often related to shared personnel). Finance staff also work with City departments to identify critical unfunded needs and opportunities for cost reductions when facing potential deficits. Although the budget proposes reductions to address

the projected budget deficit, total proposed expenditures in FY 2026/27 and FY 2027/28 are still higher than prior years.

General Fund

General Fund (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change FY 26/27	% Change FY 27/28
Personnel	\$ 277,141	\$ 286,234	\$ 303,101	3.3%	5.9%
Vacancy Factor	(15,891)	(15,287)	(16,055)	-3.8%	5.0%
Cal PERS UAL-Safety	12,999	16,630	18,013	27.9%	8.3%
Cal PERS UAL-Misc	6,582	8,851	10,433	34.5%	17.9%
Non-Personnel	79,496	67,372	71,496	-15.3%	6.1%
Special Projects	10,492	11,132	11,585	6.1%	4.1%
Minor Capital Outlay	908	517	521	-43.0%	0.8%
Debt Service	22,048	22,496	23,069	2.0%	2.5%
Charges To/From	(21,125)	(20,325)	(21,433)	-3.8%	5.4%
Cost Allocation Plan	(22,831)	(19,744)	(20,851)	-13.5%	5.6%
Section 115 Trust Transfer	9,000	2,853	-	-68.3%	-100.0%
Water GFT Escrow	9,183	9,826	10,624	7.0%	8.1%
Other Funds Subsidy	14,157	12,593	13,044	-11.0%	3.6%
Total Expenditures & Transfers Out	\$ 382,157	\$ 383,146	\$ 403,548	0.26%	5.32%

Major expenditure adjustments are as follows:

- Personnel:** The proposed budget includes projected personnel expenditure growth of \$9.1M (3.3%) in FY 2026/27 and \$16.9M (5.9%) in FY 2027/28. This includes a \$1.5M increase in police overtime costs and increased salaries associated with recently adopted labor agreements. The City will also be negotiating new agreements with different labor groups during this time, which may further increase budgeted costs.

Personnel expenditures account for approximately 70% of General Fund expenditures. As such, growth in this category has significant impacts on the budget. At the current growth rate, personnel expenditures are outpacing revenue growth.. If this trend continues, the City will likely face additional deficits in future years.

- Vacancy Savings:** The proposed expenditure budget includes a 6% vacancy savings factor (equivalent to approximately \$15.3M in FY 2026/27 and \$16.1M in FY 2027/28) within a non-departmental account, freeing funds for other City priorities. However, all positions are fully budgeted within their respective departments. As of March 2026, the General Fund reflected a vacancy rate of 9.2%. 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.
- CalPERS Unfunded Accrued Liability (UAL):** The proposed budget reflects UAL payments based on the July 2025 CalPERS actuarial report. Although CalPERS exceeded the investment earning target, UAL costs are expected to continue to rise due

to increased payroll and CalPERS' methodology of smoothing investment gains over several years to minimize significant year-to-year fluctuations. Consequently, the CalPERS UAL budget includes \$25.5M for FY 2026/27 and \$28.5M in FY 2027/28, which represent 30.1% and 11.6% increases.

- **Non-Personnel:** The proposed budget includes a net 15.3% decrease in Non-personnel budget in FY 2026/27 and increase of 6.1% in FY 2027/28. The net decrease is primarily associated with proposed deficit reduction measures including cost reductions and one-time savings in General Liability Trust Fund costs due to a prepayment that reduces costs in FY 2026/27.
- **Special Projects:** The proposed budget includes a net 6.1% and 4.1% increase in FY 2026/27 and 2027/28 from various special project category expenditures. This increase is primarily due to costs related to a new Animal Service County Contract and City programming of \$1.68M in FY 2026/27 and \$2.33M in FY 2027/28, and increased costs associated with a new agreement with the Riverside Arts Council for the administration and management of the Festival of Lights of \$400,000 annually. These increases are partially offset by several cost reductions in this category.
- **Charges To/From & Cost Allocation Plan:** The proposed budget includes a net 13.5% reduction in FY 2026/27 and increase of 5.6% in FY 2027/28 from charges and cost allocations that offset General Fund costs. The reduction in FY 2026/27 is driven by various factors including a shift of General Fund positions to the General Liability fund, which removes the costs from this allocation, lower than anticipated actuals for internal service departments, and a higher usage of various cost allocated services by General Fund departments.
- **Other Fund Subsidy:** The proposed budget includes a net 11.0% reduction in FY 2026/27 and increase of 3.6% in FY 2027/28 associated with General Fund subsidies to other funds. This is primarily driven by a \$1.36M subsidy reduction to the Convention Center Fund, due to higher than anticipated revenues in the fund, which are partially offset by a \$258,000 increase in subsidy to the Cheech Marin Center Fund, due to decreased revenues in that fund.

Additionally, in the long term, the General Fund faces several financial challenges that could pose risks to its fiscal health:

- **Water General Fund Transfer**—The Water General Fund Transfer (GFT) accounts for approximately 2.6% of projected FY 2026/27 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 potential revenue loss ranges from \$9.8M to \$11.5M annually over the next five years, or \$54.8M over the next five years.
- **Deferred Maintenance and Infrastructure**—Following several years of structural deficits in the General Fund, the City 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, and the added debt service reduces the

amount of funding available for ongoing deferred maintenance. Although the City has made additional deferred maintenance and infrastructure investments through Measure Z and one-time American Rescue Plan Act funds, significant ongoing needs remain to support these activities in the future.

- Rising Pension Costs**—The CalPERS retirement fund yielded a 11.6% return for the fiscal year ended June 30, 2025, exceeding the 6.8% forecasted rate. While this marks continued improvement, pension costs are expected to continue to rise due to increased City payroll and CalPERS’ methodology of smoothing investment gains over several years to minimize significant year-to-year fluctuations. Additionally, future returns below expectations could further increase unfunded liabilities and required annual payments. The City’s funded status has fluctuated over time, reflecting changing market conditions, updates to actuarial estimates, and other factors disclosed in CalPERS’ valuation reports. Following CalPERS’ 21.3% return on investments in 2021, the Miscellaneous plan was fully funded, and the Safety plan was 99.6% funded. Based on the actuarial report issued in July 2025, the City’s Miscellaneous plan is now 86% funded and the Safety plan is 87% funded.
- Labor Costs**—MOU contracts are generally updated every three years and have continued to result in increased salary and benefits costs. Balancing the competing needs of providing competitive salary increases to recruit and retain highly qualified employees and maintaining long-term financial sustainability will remain an ongoing challenge for the City.

Measure Z

Measure Z (in thousands)					
Expenditure Category	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget	FY 2027/28 Proposed Budget	% Change FY 26/27	% Change FY 27/28
Personnel	\$ 27,390	\$ 30,741	\$ 32,423	12.2%	5.5%
Cal PERS UAL-Safety	2,064	2,776	3,020	34.5%	8.8%
Cal PERS UAL-Misc	397	547	649	37.5%	18.7%
Non Personnel	9,468	7,276	6,855	-23.2%	-5.8%
Special Projects	10,133	7,943	7,860	-21.6%	-1.0%
Minor Capital Outlay	1,637	1,654	1,211	1.0%	-26.8%
Capital Outlay	15,975	11,300	10,300	-29.3%	-8.8%
Debt Service	14,806	14,702	12,436	-0.7%	-15.4%
Transfer to General Fund	25,633	18,266	18,266	-28.7%	0.0%
Total Expenditures & Transfers Out	\$ 107,503	\$ 95,204	\$ 93,020	-11.44%	-2.29%

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 generally 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 for 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.

Major expenditure adjustments for Measure Z are as follows:

- **Personnel:** The proposed budget includes projected personnel expenditure growth of \$3.4M (12.2%) in FY 2026/27 and \$1.7M (5.5%) in FY 2027/28. This increase is primarily associated with increased public safety salaries associated with approved labor agreements and overtime costs. The City will also be negotiating new agreements with different labor groups during this budget, which may further increase budgeted personnel costs.
- **CalPERS Unfunded Accrued Liability (UAL):** The proposed budget reflects UAL payments based on the July 2025 CalPERS actuarial report. The CalPERS UAL budget includes \$2.5M for FY 2026/27 and \$3.3M in FY 2027/28, which represent 35.0% and 10.4% increases.
- **Non-Personnel/Special Projects/Capital Outlay:** The proposed budget includes a net 24.3% decrease in FY 2026/27 and 6.9% decrease in FY 2027/28 across non-personnel/special project/and capital expenditure categories. The net decrease is primarily associated with proposed cost reduction measures to address the budget deficit. These reductions are primarily associated with deferred maintenance, vehicle replacement, street paving, and reduction in contracted services.

Major Changes to Departmental Budgets

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, while addressing fiscal challenges, and solving a projected deficit. Each department's budget reflects a commitment to delivering essential services, fostering innovation, and advancing the well-being of the Riverside community.

General Fund (in thousands)					
Department	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	%Change FY 26/27	%Change FY 27/28
Mayor	\$ 1,214	\$ 1,368	\$ 1,456	12.7%	6.4%
City Council	2,135	2,451	2,603	14.8%	6.2%
City Manager	5,427	4,989	5,178	-8.1%	3.8%
City Clerk	2,209	2,373	2,770	7.4%	16.8%
Office of the City Attorney	6,374	5,500	5,799	-13.7%	5.4%
Marketing and Comms	3,010	2,757	2,822	-8.4%	2.4%
Office of Inspector General	-	714	817	-	14.3%
Human Resources	6,444	6,092	6,446	-5.5%	5.8%
General Services	5,719	5,924	6,220	3.6%	5.0%
Finance	10,193	10,962	11,732	7.5%	7.0%
Innovation and Technology	15,173	16,091	16,986	6.0%	5.6%
Housing and Hum Svcs	2,919	2,928	3,131	0.3%	7.0%
Community Development	18,929	18,675	20,040	-1.3%	7.3%
Police	125,638	134,809	138,382	7.3%	2.6%
Fire	72,711	79,387	80,779	9.2%	1.8%
Public Works	25,208	24,588	25,349	-2.5%	3.1%
Library	11,747	11,702	12,424	-0.4%	6.2%
Parks, Rec, & Comm Svcs	35,411	35,382	36,231	-0.1%	2.4%
Museum	2,687	2,776	4,402	3.3%	58.6%
Non-Departmental	42,656	23,598	30,209	-44.7%	28.0%
Cost Allocation Plan	(22,831)	(19,744)	(20,851)	-13.5%	7.7%
Water GFT	9,183	9,826	10,624	7.0%	8.1%
Total Expenditures/Transf Out	\$ 382,157	\$ 383,146	\$ 403,548	0.26%	5.32%

Measure Z (in thousands)					
Expenditure Category	FY 25/26 Adopted Budget	FY 26/27 Proposed Budget	FY 27/28 Proposed Budget	% Change FY 26/27	% Change FY 27/28
City Manager	\$ 220	\$ 145	\$ 152	-34.1%	4.7%
Office of the City Attorney	423	440	465	4.0%	5.8%
Human Resources	188	188	198	-0.1%	5.4%
General Services	3,642	2,704	2,542	-25.8%	-6.0%
Finance	27	22	22	-16.3%	0.3%
Innovation and Tech.	2,305	1,233	1,246	-46.5%	1.0%
Housing and Hum Svcs	6,162	5,994	4,739	-2.7%	-20.9%
Police	31,471	32,668	35,087	3.8%	7.4%
Fire	11,192	12,199	11,669	9.0%	-4.3%
Public Works	16,325	11,350	10,850	-30.5%	-4.4%
Library	2,737	2,737	2,734	0.0%	-0.1%
Parks, Rec, & Com Svcs	3,258	2,697	2,165	-17.2%	-19.7%
Museum	2,248	2,888	2,886	28.5%	-0.1%
Non Departmental	27,306	19,939	18,266	-27.0%	-8.4%
Total Expenditures/Transf out	\$107,503	\$ 95,204	\$ 93,020	-11.44%	-2.29%

The following departmental budget summaries identify proposed General Fund and Measure Z budgets and significant items within the departmental budgets including cost reduction, augmentation for critical needs, and extensions of previous one-time funding. A comprehensive list of all adjustments is attached to this report.

Public Safety Departments

POLICE DEPARTMENT

Proposed General Fund and Measure Z Budget

FY 2026/27: \$167.48M—\$134.81M General Fund/\$32.67M Measure Z (6.6% Increase)

FY 2027/28: \$173.47M—\$138.38M General Fund/\$35.09M Measure Z (3.6% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$2.29M in FY 2026/27 and \$4.32M in FY 2027/28. This includes, but is not limited to, the following:

- Unallocated Reduction (General Fund)—\$2M in FY 2027/28 for items to be identified as part of the FY 2027/28 amended budget.
- Non-Sworn Personnel Savings (General Fund)—\$900,000 in FY 2026/27 and \$903,000 in FY 2027/28 associated with maintaining approximately 10 non-sworn positions vacant.
- Booking Fees (General Fund)—\$100,000 ongoing savings associated with the elimination of booking fees that were previously charged by the Riverside County Sheriff’s Office.
- Vehicle Replacement (Measure Z)—\$1.11M in FY 2026/27 and \$1.13M in FY 2027/28 associated with delaying vehicle replacements.

The five-year plan also assumes between \$3.6M and \$4.3M in General Fund Police personnel costs will be reallocated to MZ from FY 2028/29 to FY 2030/31 to offset continued rising General Fund public safety costs.

Critical Needs

The proposed budget includes critical need augmentations of \$2.03M in FY 2026/27 and \$2.88M in FY 2027/28. This includes the following:

- Public Safety Overtime (General Fund)—\$1.5M ongoing to align with recent increased overtime trends and account for higher overtime costs due to salary increases.
- Public Safety Enterprise Communication System (Measure Z)—\$528,000 in FY 2026/27 and \$1.39M ongoing to support a new agreement and increased fees for the Riverside County Public Safety Enterprise Communication System.

FIRE DEPARTMENT

Proposed General Fund and Measure Z Budget

FY 2026/27: \$91.59M—\$79.39M General Fund/\$12.20M Measure Z (9.2% Increase)

FY 2027/28: \$92.45M—\$80.78M General Fund/\$11.67M Measure Z (0.9% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$1.41M in FY 2026/27 and \$1.95M in FY 2027/28. This includes, but is not limited to, the following:

- Unallocated Reduction (General Fund)—\$500,000 in FY 2027/28 for items to be identified as part of the FY 2027/28 amended budget.
- Personnel Savings (General Fund)—\$284,000 in FY 2026/27 and \$292,000 in FY 2027/28 associated with maintaining approximately two non-firefighter positions vacant.
- Fire Apparatus Replacement (Measure Z)—\$1.13M in FY 2026/27 and \$1.16M in FY 2027/28 associated with delaying fire apparatus replacements.

The five-year plan also assumes between \$1.8M and \$2.2M in General Fund Fire personnel costs will be reallocated to MZ from FY 2028/29 to FY 2030/31 to offset continued rising General Fund public safety costs.

Critical Needs

The proposed budget includes critical need augmentations of \$1.09M in FY 2026/27 and \$1.10M in FY 2027/28. This includes, but is not limited to, the following:

- Firefighting Personal Protective Equipment (General Fund)—\$451,000 ongoing to support enhancement to the current turnout gear replacement schedule, which is currently insufficient and should be revised from a four-year to a three-year rotation.
- Cardiac Monitors (General Fund)—\$313,000 ongoing to lease 29 cardiac monitors and defibrillators used by the Riverside Fire Department to treat cardiac emergencies, monitor vital signs, analyze cardiac rhythms, and deliver electrical shocks.
- Firefighter Physicals (General Fund)—\$185,000 in FY 2026/27 and \$190,000 in FY 2027/28 with increased ongoing amounts to provide firefighter physicals as required by Cal OSHA.

Community Service Departments

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

Proposed General Fund Budget

FY 2026/27: \$18.67M General Fund (1.3% Decrease)

FY 2027/28: \$20.04M General Fund (7.3% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$740,000 in FY 2026/27 and \$864,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$221,000 in FY 2026/27 and \$231,000 in FY 2027/28 associated with maintaining a Business Systems Manager position vacant.
- Various Professional Services (General Fund)—\$345,000 in FY 2026/27 and \$471,000 in FY 2027/28 associated with a reduction to various professional services that support economic analysis forecasts, retail attraction efforts, special studies, specific plan updates.
- Software/Licensing (General Fund)—\$90,000 in FY 2026/27 and \$78,000 in FY 2027/28 associated with a reduction in various software and licensing services.

Critical Needs

The proposed budget includes critical need augmentation of \$125,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:

- Economic Development Marketing & Implementation (General Fund)—\$125,000 ongoing to extend previously allocated one-time funding to support additional economic

development implementation efforts and increased participation in conferences and promotional material to continue to attract businesses and economic development in the City.

LIBRARY

Proposed General Fund and Measure Z Budget

FY 2026/27: \$14.44M—\$11.70M General Fund/\$2.74M Measure Z (0.3% Decrease)

FY 2027/28: \$15.16M—\$12.42M General Fund/\$2.73M Measure Z (5.0% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$362,000 in FY 2026/27 and \$392,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$293,000 in FY 2026/27 and \$321,000 in FY 2027/28 associated with maintaining various positions vacant including part time and full time Library Assistant and a Library Associate to support a strategic closure of several underutilized libraries on Sundays.
- Security and Janitorial Services (General Fund)—\$69,000 in FY 2026/27 and \$71,000 in FY 2027/28 associated with a reduction in security and janitorial service contracts to support the strategic closure of several underutilized libraries on Sundays.

Critical Needs

The proposed budget includes critical need augmentation of \$500,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:

- Library Materials (General Fund)—\$500,000 ongoing to extend previously allocated one-time funding to support the ongoing purchase of books and materials to ensure there is a diverse collection of materials that meet the needs of the community.

MUSEUM

Proposed General Fund and Measure Z Budget

FY 2026/27: \$5.66M—\$2.78M General Fund/\$2.89M Measure Z (14.8% Increase)

FY 2027/28: \$7.29M—\$4.40M General Fund/\$2.89M Measure Z (28.7% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$163,000 in FY 2026/27 and FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$158,000 in FY 2026/27 and FY 2027/28 associated with maintaining a Museum Assistant, Collections Assistant, and Exhibition Designer position vacant.

Critical Needs

The proposed budget includes critical need augmentation of \$50,000 in FY 2026/27 and \$1.43M General Fund in FY 2027/28. This includes the following:

- Main Museum Reopening (General Fund)—\$1.39M in FY 2027/28, with increasing annual amounts to support ongoing costs associated with the reopening of the main museum, which is currently going through renovations and is anticipated to reopen in FY 2027/28.

This includes 4.5 FTE, various professional services, and operational costs. These costs are anticipated to be partially offset by admission, program, rental, and retail revenue.

- Museum Education Overtime (General Fund)—\$50,000 ongoing to extend previously allocated one-time funding to support overtime costs for museum programs that are often on weekends and evening, when audiences and visitors are available.

PARKS, RECREATION, AND COMMUNITY SERVICES DEPARTMENT

Proposed General Fund and Measure Z Budget

FY 2026/27: \$38.08M—\$35.38M General Fund/\$2.70M Measure Z (1.5% Decrease)

FY 2027/28: \$38.40M—\$36.23M General Fund/\$2.17M Measure Z (0.8% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$2.67M in FY 2026/27 and \$3.86M in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$471,000 in FY 2026/27 and \$665,000 in FY 2027/28 associated with maintaining vacant a Parks Supervisor, Sr. Project Manager position, and part-time personnel vacant that supports various recreation programming activities.
- Citywide and Ward Events (General Fund)—\$325,000 in FY 2026/27 and \$683,000 in FY 2027/28 associated with a reduction in funding for Citywide and ward specific community events.
- Art Organizational Special Support (General Fund)—\$100,000 in FY 2026/27 and \$105,000 in FY 2027/28 associated with a reduction in funding that is used to support local arts organizations.
- Security Patrol at Parks (General Fund)—\$74,000 in FY 2026/27 and FY 2027/28 associated with a reduction in professional security services at various parks and community centers including Bryant, Bonds, Bordwell, La Sierra, and Goeske.
- Parks Capital Improvements (Measure Z)—\$1.5M in FY 2026/27 and \$2.0M in FY 2027/28 associated with a reduction in funding that support deferred maintenance and other capital improvements at City Parks.
- Senior and Disabled Program Capital Funds (Measure Z)—\$83,000 in FY 2026/27 and \$118,000 in FY 2027/28 associated with a reduction in funding that supports capital outlay for seniors and adaptive recreation programming.

Critical Needs

The proposed budget includes critical need augmentation of \$400,000 General Fund in FY 2026/27 and FY 2027/28. This includes the following:

- Festival of Lights Agreement (General Fund)—\$400,000 ongoing to support costs associated with a new Memorandum of Understanding with Riverside Arts Council for the administration and management of Festival of Lights.

PUBLIC WORKS

Proposed General Fund and Measure Z Budget

FY 2026/27: \$35.94M—\$24.59M General Fund/\$11.35M Measure Z (13.5% Decrease)

FY 2027/28: \$36.20M—\$25.35M General Fund/\$10.85M Measure Z (0.7% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$3.45M in FY 2026/27 and \$4.48M in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$500,000 in FY 2026/27 and \$945,000 in FY 2027/28 associated with maintaining a General Service Worker, Graffiti Education Coordinator, Maintenance Worker, and Senior Engineering Technician position vacant in FY 2026/27 with additional positions to be identified by FY 2027/28.
- Construction Materials (General Fund)—\$115,000 in FY 2026/27 and \$132,000 in FY 2027/28 associated with a reduction in funding for construction materials in street and storm drain maintenance.
- Crossing Guards (General Fund)—\$84,000 in FY 2026/27 and \$90,000 in FY 2027/28 associated with a reduction in funding from a decrease in the number of crossing guard locations.
- Pavement Rehabilitation (Measure Z)—\$2.68M in FY 2026/27 and \$3.18M in FY 2027/28 associated with a reduction in funding for pavement projects. This reduction is anticipated to be offset by increased spending of Measure A funds.

The budget also assumes a reduction of \$850,000 of FY 2025/26 funding associated with a planned irrigation replacement project that is being put on hold. These savings are being used to offset the budget deficit.

Critical Needs

The proposed budget includes critical need augmentation of \$1.99M General Fund in FY 2026/27 and \$2.63M in FY 2027/28. This includes, but is not limited to, the following:

- Animal Services County Contract and City Programming (General Fund)— \$1.68M in FY 2026/27 and \$2.33M in FY 2027/28, with increasing annual amounts to support obligations associated with new agreement with the County of Riverside for animal field and shelter services.
- Irrigation Supplies, Repair, and Replacement (General Fund)—\$500,000 ongoing to extend previously allocated one-time funding to support ongoing efforts to repair and replace landscape irrigation.

HOUSING AND HUMAN SERVICES

Proposed General Fund and Measure Z Budget

FY 2026/27: \$8.92M—\$2.92M General Fund/\$6.00M Measure Z (1.8% Decrease)

FY 2027/28: \$7.87M—\$3.13M General Fund/\$4.74M Measure Z (11.8% Decrease)

Cost Reductions

The proposed budget includes cost reductions of \$1.02M in FY 2026/27 and \$1.33M in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$150,000 in FY 2026/27 and FY 2027/28 associated with savings from charging a portion of the Director's salary to various state and federal grants.
- PSET Encampment Clean-Up (Measure Z)—\$632,000 in FY 2026/27 and \$539,000 in FY 2027/28 associated with a reduction in funding for contracted services for encampment clean ups in Wildland and Urban spaces.
- Homeless Prevention & Services (Measure Z)—\$389,000 in FY 2027/28 associated with

shifting case management costs to state grants.

- Personnel Savings (Measure Z)—\$191,000 in FY 2026/27 and \$201,000 in FY 2027/28 associated with savings from maintaining 2 Outreach Worker positions vacant.

Internal Service Departments

CITY ATTORNEY

Proposed General Fund and Measure Z Budget

FY 2026/27: \$5.94M—\$5.50M General Fund/\$0.44M Measure Z (12.6% Decrease)

FY 2027/28: \$6.26M—\$5.80M General Fund/\$0.46M Measure Z (5.5% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$210,000 in FY 2026/27 and \$258,000 in FY 2027/28. This includes the following:

- Personnel Savings (General Fund)—\$210,000 in FY 2026/27 and FY 2027/28 associated with savings from maintaining a Legal Secretary position vacant, underfilling a Senior Deputy City Attorney, and reducing overtime costs.
- Quality of Life Programs (General Fund)—\$48,000 in FY 2027/28 associated with a reduction in Quality of Life Programs that support community meetings and Gun Violence Restraining Order filings.

CITY CLERK

Proposed General Fund Budget

FY 2026/27: \$2.37M (7.4% Increase)

FY 2027/28: \$2.77M (16.8% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$91,000 in FY 2026/27 and \$111,000 in FY 2027/28. This includes, but is not limited to, the following:

- Records Management Storage (General Fund)—\$30,000 in FY 2026/27 and \$32,000 in FY 2027/28 associated with savings due to lower costs in the new Certified Records Management vendor agreement.
- Lease Savings (General Fund)—\$22,000 in FY 2026/27 and \$45,000 in FY 2027/28 associated with savings from terminating an RPU lease after moving to the City Hall Lobby.
- Board/Commission Reception (General Fund)—\$6,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the annual board/commission reception.

CITY MANAGER

Proposed General Fund and Measure Z Budget

FY 2026/27: \$5.13M—\$4.99M General Fund/\$0.14M Measure Z (9.1% Decrease)

FY 2027/28: \$5.33M—\$5.18M General Fund/\$0.15M Measure Z (3.8% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$424,000 in FY 2026/27 and \$425,000 in

FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$120,000 in FY 2026/27 and \$122,000 FY 2027/28 associated with savings from maintaining an Executive Assistant position vacant.
- Fiscal Management Account (General Fund)—\$113,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the City Manager's Office Fiscal Management Account, which is used to support ad hoc projects and contracts.
- Professional Services (General Fund)—\$55,000 in FY 2026/27 and FY 2027/28 associated with a reduction in funding set aside for as needed professional services.
- Various Non-Professional Services (Measure Z)—\$40,000 in FY 2026/27 and FY 2027/28 associated with a reduction in various non personnel expenditures such as supplies, periodicals, and dues.

FINANCE

Proposed General Fund and Measure Z Budget

FY 2026/27: \$10.98M—\$10.96M General Fund/\$0.02M Measure Z (7.5% Increase)

FY 2027/28: \$11.75M—\$11.73M General Fund/\$0.02M Measure Z (7.0% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$298,000 in FY 2026/27 and \$304,000 in FY 2027/28. This includes, but is not limited to, the following:

- Fiscal Management Account (General Fund)—\$100,000 in FY 2026/27 and FY 2027/28 associated with a reduction to the Finance Department Fiscal Management Account, which is used to support ad hoc projects and contracts.
- Professional Services (General Fund)—\$70,000 in FY 2026/27 and FY 2027/28 associated with a reduction in funding set aside for ad hoc professional services and contingency funding for consultant service contracts used on an as needed basis.
- Various Non-Professional Services (General Fund)—\$40,000 in FY 2026/27 and FY 2027/28 associated with a reduction in various non personnel expenditures such as supplies, periodicals, and dues.
- Budget Book Printing (General Fund)—\$10,000 in FY 2026/27 and FY 2027/28 associated with a reduction to discontinue hard copy printing of the Biennial Budget, Budget in Brief, and CIP Budget Book, which would remain fully available to the public and staff in digital form.

Critical Needs

The proposed budget includes critical need augmentation of \$50,000 General Fund in FY 2026/27. This includes the following:

- Investment Management Services (General Fund)—\$50,000 in FY 2026/27 to support a contract with Shuster Advisory Group, LLC to provide investment management services, including but not limited to: assisting with City's California Investment Policy review and monitoring, and its compliance with the State of California Local Agency Investment Guidelines; and advising the City's investment committee.

GENERAL SERVICES

Proposed General Fund and Measure Z Budget

FY 2026/27: \$8.63M—\$5.92M General Fund/\$2.70M Measure Z (7.8% Decrease)

FY 2027/28: \$8.76M—\$6.22M General Fund/\$2.54M Measure Z (1.6% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$1.77M in FY 2026/27 and \$2.10M in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$129,000 in FY 2027/28 associated with savings from maintaining a Real Property Services position vacant.
- Deferred Maintenance for City Facilities (Measure Z)—\$1M in FY 2026/27 and FY 2027/28 associated with a reduction to deferred maintenance of City facilities.
- Automotive Equipment/Vehicle Purchases (Measure Z)—\$700,000 in FY 2026/27 and \$900,000 in FY 2027/28 associated with a reduction of funding for non-public safety automobile equipment and vehicle purchases.

HUMAN RESOURCES

Proposed General Fund and Measure Z Budget

FY 2026/27: \$6.28M—\$6.09M General Fund/\$0.19M Measure Z (5.3% Decrease)

FY 2027/28: \$6.64M—\$6.45M General Fund/\$0.20M Measure Z (5.8% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$498,000 in FY 2026/27 and \$541,000 in FY 2027/28. This includes, but is not limited to, the following:

- Personnel Savings (General Fund)—\$105,000 in FY 2026/27 and \$148,000 in FY 2027/28 associated with savings from maintaining an Executive Assistant position and (4) .25 administrative interns vacant.
- Talent Management System (General Fund)—\$250,000 in FY 2026/27 and FY 2027/28 associated with a delay in planning of a new talent management system to avoid potential redundancy of the program, as its functions are being considered within the City's broader Enterprise Resource Planning system efforts.
- Citywide Employee Training (General Fund)—\$100,000 in FY 2026/27 and FY 2027/28 associated with a reduction of funding for Citywide employee training resources.

INNOVATION AND TECHNOLOGY

Proposed General Fund and Measure Z Budget

FY 2026/27: \$17.32M—\$16.09M General Fund/\$1.23M Measure Z (0.9% Decrease)

FY 2027/28: \$18.23M—\$16.99M General Fund/\$1.25M Measure Z (5.2% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$985,000 in FY 2026/27 and \$1.01M in FY 2027/28. This includes the following:

- Software and Maintenance Support (General Fund)—\$293,000 in FY 2026/27 and \$314,000 in FY 2027/28 associated with savings from various software maintenance and support contracts due to retiring legacy system, replacement with cloud-based backup systems, lower negotiated agreements, and elimination of redundant purchases.
- Technology Replacement (Measure Z)—\$692,000 in FY 2026/27 and \$694,000 in FY 2027/28 associated with a reduction in the replacement of City technology including proactive surveillance cameras.

MARKETING AND COMMUNICATIONS

Proposed General Fund Budget

FY 2026/27: \$2.76M General Fund (8.4% Decrease)

FY 2027/28: \$2.82M General Fund (2.4% Increase)

Cost Reductions

The proposed budget includes cost reductions of \$165,000 in FY 2026/27 and \$172,000 in FY 2027/28. This includes, but is not limited to, the following:

- In Person Spanish Interpreters (General Fund)—\$86,000 in FY 2026/27 and FY 2027/28 associated with a Reduction in funding for Spanish interpretation at Council meetings, committee meetings, and other public meetings throughout the year, as needed to align with actual spending trends.
- American Sign Language Interpretive Services (General Fund)—\$45,000 in FY 2026/27 and FY 2027/28 associated with a reduction in funding for ASL interpretation for press conferences, City events, public meetings, and other activities throughout the year to align with actual spending and account for amounts budgeted within other departments.

Critical Needs

The proposed budget includes critical need augmentation of \$430,000 General Fund in FY 2026/27 and \$330,000 FY 2027/28. This includes, but is not limited to, the following:

- Visit Riverside Campaign (General Fund)—\$150,000 ongoing to extend previously allocated one-time funding to support Visit Riverside consultant services, website management, social media, development of digital marketing strategy, billboards, online advertising, and print advertising.
- TV Content Curation (General Fund)—\$100,000 ongoing to extend previously allocated one-time funding to support video editing, script writing, and consulting services necessary to expand the use of Riverside TV and provide more robust, regular local programming relevant to residents and local businesses.
- City Branding Initiatives (General Fund)—\$100,000 in FY 2026/27 to extend previously allocated one-time funding to support activities to attract businesses, investors, and a talented workforce including advertising, print collateral, billboards, magazine ads, and other channels to promote the City's economic growth and development.

OFFICE OF INSPECTOR GENERAL

The proposed budget establishes the Office of Inspector General as a standalone office with a budget of \$714,000 in FY 2026/27 and \$817,000 in FY 2027/28 and 3.0 FTEs including an Inspector General, Organizational Performance and Audit Manager, and Performance Analyst.

CITY COUNCIL

Proposed General Fund Budget

FY 2026/27: \$2.45M General Fund (14.8% Increase)

FY 2027/28: \$2.60M General Fund (6.2% Increase)

MAYOR

Proposed General Fund Budget

FY 2026/27: \$1.37M General Fund (12.7% Increase)

FY 2027/28: \$1.46M General Fund (6.4% Increase)

The proposed budget includes \$34,000 in FY 2026/27 and FY 2027/28 to support travel and meeting expenses associated with the Big City Mayors and U.S. Conference of Mayors. This amount is lower than the amount budgeted in FY 2025/26 for this purpose.

FISCAL IMPACT:

There is no fiscal impact as a result of this report. The discussion and recommendations will be considered by staff and presented for Council consideration in May and adoption in June.

Prepared by: Peter Kakos, Interim Budget Manager
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Attachments:

1. Deficit Solving Measure
2. Augmentations for 2026-2028 Biennial Budget
3. Measure Z Spending Plan
4. Measure Z Historical Expenditures
5. Community Engagement and Budget Survey Results
6. Online Budget Survey Report
7. Presentation