



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 20, 2017

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FISCAL YEAR 2016-2017 THIRD QUARTER FINANCIAL REPORT INCLUDING ONE-TIME COST-NEUTRAL BUDGET ADJUSTMENTS; AND MID-CYCLE BUDGET UPDATE, INCLUDING A CITY COUNCIL RESOLUTION AMENDING FISCAL YEAR 2017-2018 BUDGET, PERSONNEL DETAIL AND CAPITAL IMPROVEMENT PLAN

ISSUES:

The issues for City Council consideration are: 1) to receive the fiscal year (FY) 2016-2017 Third Quarter Financial Report, including one-time cost-neutral budget changes as described below; and 2) adopt a resolution amending the biennial budget for FY 2017-18, including revisions to the Personnel Detail and the Capital Improvement Plan (CIP).

RECOMMENDATIONS:

For the FY 2016-2017 Third Quarter Report, that the City Council:

1. Receive and file the attached FY 2016-2017 Third Quarter Financial Report (Attachment A) that includes year-end projections for the General Fund and the five-year Measure Z spending plan, as well as cash/investment (Attachment B) and debt (Attachment C) reports for all funds;
2. Amend the FY 2016-2017 General Fund and Measure Z Fund Budget to appropriate funds approved through the Measure Z five-year spending plan (Attachment D);
3. Approve the appropriation of one-time revenues from the Standard Insurance reimbursement (\$569,221) for one-time projects and programs in accounts to be determined by the Finance Department in the Human Resources Department (\$472,350) and Innovation and Technology Department (\$33,000);
4. Appropriate General Plan Surcharge revenue (\$320,000) to the Community and Economic Development Department Planning Division professional services account to pay for Housing Element and Rezoning Project; and
5. Direct staff to prepare a General Fund carryover process as planned in the Adopted FY 2016-2018 Two-Year Budget (outlined in this report) for City Council approval in conjunction with the Fourth Quarter 2016-17 Financial Report.

For the FY 2017-2018 Mid-Cycle Update, that the City Council:

1. Adopt the attached resolution (Attachment E) approving the City of Riverside's Mid-Cycle Amendments to the Two-Year Budget for FY 2017-2018 as reflected in the expenditure detail (Attachment F) and revenue detail (Attachment G);
2. Amend the FY 2017-2018 Personnel Detail to authorize position changes and full time employee (FTE) counts for positions under each department, division, and section (Attachment I);
3. Amend FY 2017-2018 funding for the City's five-year Capital Improvement Plan (CIP) (Attachment H); and
4. Continue delegating investment responsibility to the City's Chief Financial Officer/Treasurer, for a period of one year.

EXECUTIVE SUMMARY:

In December 2015, the City Council approved the move to a two-year budget in the context of a five-year plan. Since that time, the City Council has been presented with reports on the City's unfunded needs, approved departmental reductions, established a Budget Engagement Commission (BEC), adopted a Responsible Spending Pledge, and led the charge for the passage of Measure Z. The culmination of these City Council actions, combined with strong executive leadership, have laid a new, stronger, financial foundation for the City. One important outcome of the City's disciplined focus on financial transparency and responsibility has been the recent upgrade of the City's general obligation bond rating from A+ to AA- by S&P.

This report is comprised of two main sections:

1. The first section is dedicated to the FY 2016-2017 Third Quarter Financial Update, which provides an update on the City's financials based on actuals from July 1, 2016 through March 31, 2017. A final update on FY 2016-2017 will be presented to the City Council in September/October 2017 with the City's Comprehensive Annual Financial Report (CAFR).
2. The second section of the report is dedicated to the FY 2017-2018 Mid-Cycle Update, which takes assumptions from the FY 2016-2017 Third Quarter Financial Update and combines them with proposed budgetary, staffing and capital changes. **Because the City is on a biennial budget, Mid-Cycle budget adjustments to the second fiscal year are intentionally minimal and cost-neutral**, and mainly include the necessary funding restructuring and strategic staffing changes in a few departments.

DISCUSSION:

FISCAL YEAR 2016-2017: THIRD QUARTER UPDATE

GENERAL FUND FINANCIAL ANALYSIS

On December 20, 2016, the City Council received and provided input on the FY 2016-2017 First

Quarter Financial Report that included the projected revenues and expenditures from July 1, 2016 through September 30, 2016. The FY 2016-2017 Second Quarter Financial Report was presented to the City Council on April 11, 2017 to provide an update on the projected revenues and expenditures based on actuals from July 1, 2016 through December 31, 2016. This Third Quarter Financial Report (Attachment A) provides an update on the revenues and expenditures based on actuals from July 1, 2016 through March 31, 2017.

As in the Second Quarter, the Third Quarter analysis still projects the City to be in a deficit position by year-end. Specifically, as of the Third Quarter, a \$3.0 million year-end deficit is projected in FY 2016-17 and \$4.4 million in FY 2017-18. The recently approved five-year spending plan for Measure Z includes transfers to the General Fund to cover these operating shortfalls and to maintain the General Fund Reserve at the minimum level of 15%, gradually building up to 20%.

General Fund Revenues

Compared to the second quarter FY 2016-2018 projections, the Third Quarter Financial Report General Fund revenues are estimated to be approximately \$3.2 million higher in FY 2016-2017 and \$1.7 million higher in FY 2017-2018. See Attachment A-3.

In the **Taxes** category, differences of \$200,000 or more between the second and third quarters are explained below.

- *Sales Tax* projection is unchanged from second quarter projections in FY 2016-2017 and \$883,610 lower in FY 2017-2018. Historically, sales tax revenues have been the most subjective General Fund revenue to the economy and the hardest to predict. As such, staff is taking a conservative estimate to sales tax revenues in FY 2017-2018.
- *Utility Users Taxes* are estimated to be lower than second quarter projections by approximately \$197,000 in FY 2016-2017 and \$206,000 in FY 2017-2018, due to lower year to date receipts from Pacific Bell and cable TV. This declining trend is expected to continue and the estimates in FY 2017-2018 take this into consideration, revising the growth assumption from 1.83% as of the second quarter to 1.80% based on third quarter actuals.
- *Charges for Development and Building Services* are projected to increase in the third quarter from second quarter projections by \$291,000 in FY 2016-2017 and \$277,000 in FY 2017-2018 due to increasing development activity in the region. Currently, the City is experiencing the highest construction permit valuation (i.e. investment in the City) the City seen in past 11 years. In fact, April 2017 set a monthly construction valuation record for the past 14 years, which includes the building boom that peaked in 2004, 2005, and 2006.
- *Entertainment Revenues* are experiencing a gain in the third quarter with a \$1.3 million increase in FY 2016-2017 and \$703,000 in FY 2017-2018 due to more events and activities in the Muni Auditorium and Convention Center. These gains are partially offset by increased costs, as discussed in the following section.
- *Intergovernmental Revenue* is projected to increase by \$645,000 in FY 2016-2017 and \$6,000 in FY 2017-2018 due to higher Mutual Aid reimbursements related to Fire Department overtime. These revenues are offset by higher Fire Department expenditures, as discussed in the next section.

- *Other Miscellaneous* revenues are projected to be higher than second quarter projections by \$1 million in FY 2016-2017 and \$1.9 million in FY 2017-2018 due to one-time reimbursements and refunds from Standard Insurance (\$568,000) and sale of land and property (\$500,000). As discussed in detail further, most of the one-time Standard Insurance refund is recommended to be used for one-time unfunded needs, mainly in the Human Resources Department.

General Fund Expenditures

General Fund expenditures are estimated to continue to exceed second quarter projections in FY 2016-2017 by \$2.4 million and in FY 2017-2018 by \$706,000. These changes are mainly due to safety services expenditures in retirement payoffs, overtime, unfunded vehicle maintenance, and one-time expenditures in employee programs and the VoIP system. Differences of \$200,000 or more between the second and third quarters are explained below. See Attachment A-4.

- *Parks, Recreation and Community Services Development Impact Fees* are able to cover \$1.2 million more of General Fund subsidized debt than anticipated in the first and second quarter analyses. When debt was issued for the Renaissance initiative, the plan was to utilize annual development impact fees (DIF) to fund parks projects. Unfortunately, with the downturn in the economy, the revenue never materialized. The General Fund has been subsidizing the Parks debt at approximately \$2 million annually.
- *Fire Department Overtime and Retirement Payoffs* are projected to exceed the FY 2016-2017 personnel budget due to \$395,000 in overtime and \$225,000 in retirement payoffs. This shortfall will be partially offset by Mutual Aid reimbursements noted in the revenue section.
- *Police Retirement Payoffs* are projected to exceed the FY 2016-2017 personnel budget by approximately \$1.2 million. The City does not budget for all earned compensation accruals, such as unused vacation, sick leave, and compensation time. Each department is responsible for managing their budget to account for these payoffs, which depending on the timing of the retirements (e.g. end of year) may be difficult.
- *Convention Center* expenditures are projected to exceed projections by \$689,000. These expenditures are offset by revenue projections, as discussed above. With anticipated increased activity in FY 2017-2018, both revenue and expenditure assumptions have been increased.

General Fund Reserve

The City's General Fund Reserve Policy, adopted by the City Council on September 6, 2016, requires maintaining the General Fund reserve at 15%. The City Council set an aspiration goal of the General Fund Reserve at 20%; this goal was recently reaffirmed through adoption of the "Responsible Spending Vision Pledge" on October 4, 2016.

With transfers from Measure Z to the General Fund to cover operational shortfalls and to build up reserves, the General Fund reserve is projected to be just under 15% in FY 2016-2017 and approximately 20% in FY 2017-2018. See Attachment A-4.

Measure Z

The collection of the additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. Based on projections from the City's sales tax consultant, HdL, the City will start receiving these revenues in May-June 2017, with the anticipated collection of \$10 million in

FY 2016-2017 and the entire year's worth of \$51.5 million in FY 2017-2018. After hearing recommending Measure Z spending options from City staff and the BEC, on May 16, 2017, the City Council approved the Measure Z Spending Plan (Attachment D), which appropriated \$9.5 million in FY 2016-2017 and \$20.5 million in FY 2017-2018 to cover the projected General Fund shortfalls and increase the General Fund Reserves to 15% in the first year, and 20% in the second year.

FY 2016-17 One-Time Cost-Neutral Budget Changes

The following cost-neutral budget changes are requested to FY 2016-17 budget:

- *Partial use of a \$569,000 insurance refunds to pay for unfunded needs in the Human Resources and Innovation & Technology Departments:* Through Standard Insurance, the City offers its employees life insurance options. Periodically, Standard Insurance reviews the plan's financial activity and may issue a refund to the City if funds available for payment of claims are higher than the expected insurance payouts. It is proposed that \$472,350 of this \$569,000 revenue be used for one-time unfunded needs related to compensation studies mandated in union agreements (\$290,000), employee education reimbursement program (\$100,000), citywide employee training (\$62,250), employee wellness program (\$13,500), and general office expenses (\$6,600).

It is recommended that the balance of the refund (\$33,000) be used for Innovation and Technology unfunded needs related to phone system support and software maintenance. In March 2012, the City purchased the Avaya Voice over IP (VoIP) and Call Center solutions, including a 5-year service agreement. This VoIP system is able to utilize the City's existing wired computer network infrastructure and cabling thus allowing both phone and data capabilities over the same medium. This minimizes the need for additional cabling and other components. The VoIP system also provides call routing features that allow for better call flow options improving the customer call experience. The initial 5-year service agreement expires in June 2017. The City issued a Request for Proposal (RFP) for a VoIP phone solution to replace the aging Ericsson analog phone system. The City is prepared to enter into a 3-year agreement with lowest responsive bidder for \$93,000. The total cost will be offset partially by the Utilities 311 Call Center (\$66,000).

- *The Housing Element/Rezone Project* for the Community & Economic Development Department is funded by the General Plan Surcharge. For most planning permits issued, the City collects a 10% Planning Surcharge for the use of specific planning elements. In order to spend these funds, money has to be appropriated from the revenue account to a expenditure line item in the budget. The requested appropriation is \$320,000, and is fully offset by the available revenue.

FY 2016-17 Carryovers

The City's Manager's Budget Message, included in the FY 2016-2018 Two Year Budget, provided a carryover plan for the City's General Fund:

- At the end of the first year of the two-year budget, barring any significant unforeseen revenue shortfalls, departments with savings will automatically carry over the unspent funds to the second year. Similarly, departments that overspend in the first year will not be given higher budget allocation in the second year; they will have less to spend; and
- At the end of the second year, barring an significant unforeseen revenue shortfalls,

departments with savings will be able to retain 50% of the unused funds for capital or other one-time needs. The other 50% will be used to balance the General Fund, or returned to the General Fund reserves.

Staff recommends the City Council direct staff to implement this policy in the Fourth Quarter Financial Update to the City Council in September/October 2017.

QUARTERLY INVESTMENT AND CASH REPORT

Sound investment practices are an essential component of the City's strong fiscal management. The Finance Department is responsible for managing the City's investment portfolio, focusing first on the safety of investments, and then on liquidity and an appropriate rate of return. The investment results and portfolio composition are summarized and reported to the City Council each quarter. As of March 31, 2017, the City's pooled investment portfolio's market value was \$555 million, with the market value of investments held by fiscal agents (bond proceeds and reserve funds primarily) amounting to an additional \$242 million. The weighted average yield of the pooled investment portfolio is 1.124%. Through prior City Council approval, the Chief Financial Officer/Treasurer has the authority to invest/reinvest funds and to sell or exchange purchased securities, consistent with the City's adopted investment policy. This approval is a requirement of State law and is received at the start of each fiscal year.

The Investment Report, including a listing of cash balances by fund, is included in Attachment B. These cash balances reflect each fund's share of the City's pooled investment portfolio. Also shown are interfund loan receivables, which are treated as available cash due to the Finance Director/Treasurer's authorization to move loan receivables to other funds as needed.

All listed funds have a positive cash balance with the exception of the following funds:

1. The General Fund (\$8,203,961), which is offset by an outstanding capital lease receivable related to the Police Records Management System and Computronix permitting system. Historically, the revenues related to the capital lease have been received prior to the initiation of project; however, the City recently completed the process of securing financing to fully offset ongoing project costs. It is anticipated that the City will receive necessary cash inflow during the fourth quarter of the fiscal year.
2. The Urban Areas Security Initiative (\$101,716), Housing Opportunities for Persons with AIDS (\$887,196), and NPDES Storm Drain (\$307,608) which are fully offset by outstanding grant receivables.
3. Certificates of Participation Projects (\$498,758), Capital Outlay (\$4.1 million), and Transportation Uniform Mitigation Fees (\$1.87 million) have negative cash balances due to the timing of expenditures; however, the negative balances are fully offset by grant receivables.
4. Debt Service Fund – General (\$642,885) due to the timing of an annual 2008 COPS payment for \$3.6 million that is recouped through monthly utilization charges.
5. The Liability Insurance Trust Fund has a negative cash balance of approximately (\$1.8 million), but is consolidated with the positive cash balances of the Workers Compensation Insurance Trust Fund (\$17.9 million) and Unemployment Insurance Trust Fund (\$429,956) for financial reporting purposes. Staff has implemented a strategy to return

the Liability Insurance Trust Fund to an improved financial condition (cash and fund balance levels) over the next five years, which includes \$5 million from Measure Z over the next two years.

6. The Central Stores (\$223,026), which is fully offset by inventory assets that will be recouped when charged out for usage to various departments.

QUARTERLY DEBT REPORT

The Finance Department is also charged with managing the City's debt portfolio, which includes issuing new debt and monitoring opportunities to refinance existing debt as opportunities to reduce interest costs arise. The Quarterly Debt Report (Attachment C) summarizes the composition of the City's debt portfolio, details the revenue sources utilized to pay the debt service associated with each outstanding debt, and provides detailed information regarding the total principal and interest payments due in the current fiscal year by Fund. As of the second quarter, the City's outstanding principal balance is projected to decrease by \$108,560,795. This reduction is misleading because it reflects the payoff of the City's interest only bond anticipation note (BAN), which is refunded every year. In May 2017, the BAN was refunded into a 10-year pension obligation bond (2017A POB). The Fourth Quarter Debt Report will reflect the issuance of the 2017A POB, which will increase the City's outstanding debt by over \$30 million. Therefore, the overall net debt reduction will be under \$78 million.

FISCAL YEAR 2017-2018: MID-CYCLE UPDATE

The FY 2017-2018 revised budget reflects total expenditures across all funds of \$1,026,569,134, which is approximately \$55.2 million more than the Adopted FY 2017-2018 Budget of \$971,380,144. The increases are largely associated with the passage of Measure Z (\$46 million) and adjustments to reflect negotiated employee compensation and benefit changes (\$9 million). A complete look at the FY 2017-2018 Mid-Cycle Update, based on the Third Quarter 2016-2017 Financial Report and Adopted Measure Z Spending Plan, can be found at Attachment J.

GENERAL FUND RESTRUCTURING

As part of the Mid-Cycle Update, staff analyzed all General Fund activity and determined that restructuring of the General Fund was required in order to provide for greater transparency between true General Fund activity and other financial activity that has historically been in the General Fund. New funds have been established for Civic Entertainment and Special Districts. While the majority of these items are self-supported by specific revenues, certain operations will require a General Fund operating transfer to ensure expenditures are supported by revenues. These changes reduce the size of the General Fund by approximately \$19.1 million, from \$275.7 million based on third quarter projections to \$256.6 million. This may allow transferring less of Measure Z funds to the General Fund at the end of FY 2017-18 to maintain a 20% reserve

Finally, staff consolidated three separate debt funds into one general government debt fund. While this does not reduce the size or financial requirements of the General Fund, it was a necessary measure to ensure transparency for the public and future staff.

Civic Entertainment

Currently, the Riverside Convention Center (RCC), Fox Entertainment Plaza (including The Box and Showcase) and the Riverside Municipal Auditorium (RMA) were fiscally managed in the

General Fund. As part of the proposed Mid-Cycle changes, an enterprise fund called Civic Entertainment was established with all financial activity of these facilities, including any debt service charges. The financial activity in the new fund will provide greater transparency and the subsidy provided by the General Fund will be more pronounced through operating transfers. The FY 2017-18 operating subsidy required, largely associated with debt for the rehabilitation of the facilities, is \$3,187,072 for RCC and \$4,827,681 for The Fox, RMA and City run The Box.

Special Districts

As part of the Mid-Cycle Update, staff proposes to establish a Special District Fund. The Special District Fund would be comprised of the street light assessment district, landscape maintenance districts and the park maintenance districts. These districts are supported through increased property tax assessments, self-imposed by the landowners, to fund improvements. The special districts should be self-supporting; however, over time, based on the dollar limits imposed during their original creation, this is not always the case. The financial activity in the new fund will provide greater transparency of special district activity, while the operating subsidy provided by the General Fund will ensure revenues meet the requirement expenditures. The operating subsidy required for fiscal year 2017-2018 for the Special District fund is \$1,074,263.

Debt

Historically, pension bond debt and other general obligation debt issues (e.g. 2008 COPS) have been accounted for in separate funds. All General Fund debt payments will now reside in the Debt Service Fund (390) with utilization charges to the General Fund in order to pay for its share of the debt payment activity.

FY 2017-2018 CAPITAL IMPROVEMENT PLAN

Capital projects are proposed by staff, and approved by the City Council, based on identified needs and funding priorities. Most of the projects are related to electric system improvements, enhancements and repairs; and public works / transportation projects.

High Priority projects are categorized as funded projects and are budgeted for FY 2016-2017 and FY 2017-2018 and their funding needs are planned in Fiscal Years 2018-2021. Table 1 below reflects proposed Mid-Cycle revisions to the CIP funding for FY 2017-2018 and funding needs for the remaining three years. The total funding in the five-year CIP is \$376,635,669, including Measure Z.

Government Code Section 65401 requires that the Planning Commission review the City's CIP budget and plan for the upcoming fiscal year for conformity with the General Plan 2025. The CIP projects and budget were submitted to the Planning Commission on May 18, 2017 and were found to be consistent with the General Plan and exempt from CEQA review. (Attachment H)

The funding of new projects from Measure Z were approved at the May 16, 2017 City Council meeting. Funding includes a parking garage (\$15 million), Eastside Library site selection (\$100,000), Museum expansion and rehabilitation (\$15 million), new Downtown Library (\$30 million), new Police Headquarters (\$45 million), and funding of \$4.2 million for Annual Deferred Maintenance for facilities.

Table 1: Funded CIP Projects for Fiscal Years 2016-2021 by Category

Department	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Funded CIP Total 5 Years
General Services	935,556	1,607,000	8,927,177	9,818,353	11,018,353	32,306,439
Innovation and Technology	-	-	1,500,000	-	1,250,000	2,750,000
Parks, Recreation, and Community Services	4,627,300	10,000	-	-	-	4,637,300
Public Utilities	61,375,000	43,038,000	55,549,000	46,435,000	47,807,000	254,204,000
Public Works	25,511,130	19,080,500	18,585,600	11,398,000	8,162,700	82,737,930
Funded CIP Totals	\$92,448,986	\$63,735,500	\$84,561,777	\$67,651,353	\$68,238,053	\$376,635,669

Projects with no current funding are categorized as unfunded. Table 2 below reflects unfunded CIP amounts of \$156,320,879 for Fiscal Years 2016-21 and total unfunded needs beyond FY 2020-2021 of \$1,246,088,541.

Table 2: Unfunded CIP Projects for Fiscal Years 2016-2021

Department	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Unfunded CIP Total 5 Years	Unfunded CIP Totals
General Services	2,940,700	7,184,081	18,678,000	56,280,000	38,351,000	123,433,781	258,993,081
Innovation and Technology	-	2,931,500	13,483,650	8,839,238	5,232,710	30,487,098	30,487,098
Parks, Recreation, and Community Services	400,000	800,000	400,000	400,000	400,000	2,400,000	245,986,810
Public Utilities	-	-	-	-	-	-	306,102,000
Public Works	-	-	-	-	-	-	404,519,552
Funded CIP Totals	\$3,340,700	\$10,915,581	\$32,561,650	\$65,519,238	\$43,983,710	\$156,320,879	\$1,246,088,541

Historically the City’s proposed CIP budget has had minimal impact of the City’s General Fund. This trend continues for the Mid-Cycle amended FY 2017-2018 CIP Budget and Five-Year Plan for FYs 2016-2021. For FY 2017-2018 the CIP budget will include General Fund expenses in the amount of \$107,000 and \$1,100,000 from Measure Z funds. The majority of the funding sources for the proposed CIP are related to special revenues funds such as Gas Tax and Measure A for street repairs, enterprise funds for water and electric projects, and development impact for Parks and Recreation.

The appropriation of funds associated with these projects occurs with the adoption of the Mid-Cycle budget revisions. Certain projects (e.g. electric infrastructure) will have funds appropriated when the projects themselves are before the Public Utilities Board and/or City Council for approval.

FY 2017-2018 PERSONNEL DETAIL AMENDMENT

The Personnel Detail is a section of the biennial budget that reflects the authorized and budgeted full time and part time positions (Attachment I). This document is utilized to maintain position control and is the basis for the personnel budget. Staff recommends approval of the Personnel Detail amendments for a net increase of 50.25 FTE in FY 2017-2018. The majority of the FTE increases, 41, are associated with Measure Z. Key changes in **non-Measure Z** positions are described below.

Finance Department

During the downturn of the economy the Finance Department merged the Purchasing and Risk Management functions. A recent operational audit by Matrix Consulting and an independent classification and compensation study by an outside expert pointed out that combining risk and purchasing is somewhat unique compared to other cities, recommending separation of the two functions, as was the case in the City prior to 2009.

Currently, the Risk Management function is a hybrid of in-house staff and an outside claims administration company, Carl Warren. In an effort to streamline claims management, provide better customer service, and reduce long-term liabilities, staff recommends the separation of Risk Management from Purchasing and the addition of staff to Risk Management to insource the entire process. The recommendation requires the addition of two employees (claims specialist and claims inspector) and a new software system, the cost of which will be offset by the elimination of the Carl Warren agreement (at \$200,000 per year). A detailed overview of this proposal will be presented as a separate City Council item on June 20, 2017.

City Attorney’s Office

The City Attorney’s Office increases by 3.5 positions in FY 2017-2018. One of the increased positions was already included in the Adopted FY 2016-2018 Budget as part of the plan to reduce the need for outside legal counsel, which is more expensive than City staff. The additional 2.5 positions included in the Mid-Cycle Update represent a further reduction in outside legal counsel as it relates to Worker’s Compensation. A Senior Deputy City Attorney and 1.5 Paralegal positions have been added. The anticipated costs of \$295,000 will reduce the outside legal counsel costs for the Worker’s Compensation Fund in the same amount. As such, there is no budget impact from the addition of these positions. A detailed overview of this proposal will be presented as a separate City Council item on June 20, 2017.

Public Utilities Department

The Public Utilities Department increases by two positions overall, mostly associated with the steps necessary to implement Utility 2.0. Included in the variety of changes outlined in Attachment I, are the addition of three Electric Power System Dispatcher II positions needed to appropriately staff the Dispatch function and greatly reduce overtime. There is no impact to the Public Utilities Budget as these costs represent a cost savings over the current overtime expenditures.

MEASURE Z: FY 2017-2018

On May 16, 2017, the City Council approved a Five-Year Spending Plan for Measure Z. All expenditures will be tracked in the Measure Z Fund (110). The following is a reconciliation of what was approved by the City Council and what is included for City Council approval in the Mid-Cycle Update expenditure detail (Attachment F).

FY 2017-2018 Measure Z Budget Reconciliation		General Fund 2017A POB	
Fund 110 Budgeted Expenditures	\$ 46,041,773	Est. Annual Cost	\$ 1,900,800
		Actual Costs	\$ 1,706,629
		<hr/>	
Add: POB Savings	\$ 194,171	→ Savings/(Deficit)	\$ 194,171
Add: Contingency	\$ 1,000,000		
Total FY 2017-2018 Measure Z Budget (City Council Approved)	\$ 47,235,944		

Beginning with the First Quarter Financial Report for FY 2017-2018, staff will present a summary of the Measure Z financial activity to date and year-end projections, including an Action Plan with a status on each Measure Z funded item.

FISCAL IMPACT:

The City's 2017-2018 Mid-Cycle revised budget totals \$1,026,569,134 with \$256,579,753 in the General Fund and \$46,041,773 in the Measure Z fund.

Prepared by: Adam Raymond, Assistant Chief Financial Officer
Certified as to
availability of funds: Scott Miller, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

- A. FY 2016-2018 Third Quarter General Fund Financial Report
- B. FY 2016-2017 Third Quarter Investment Report
- C. FY 2016-2017 Third Quarter Debt Report
- D. Measure Z Spending Plan
- E. Resolution
- F. Expenditure Detail
- G. Revenue Detail
- H. Capital Improvement Plan
- I. Personnel Detail Amendment
- J. FY 2017-2018 Budget-in-Brief
- K. Presentation