



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 12, 2018

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: PUBLIC HEARING; RESOLUTION - ADOPTION OF THE FISCAL YEAR 2018-2020 TWO-YEAR BUDGET; RESOLUTION – MASTER FEES AND CHARGES SCHEDULE; DELEGATION OF INVESTMENT AUTHORITY; BUDGET ENGAGEMENT COMMISSION MEASURE Z RECOMMENDATIONS; AND FINANCE COMMITTEE CALPERS DISCUSSION

ISSUES:

Conduct a public hearing on the Proposed Fiscal Year 2018-2020 Two-Year Budget; Adopt a resolution approving the Fiscal Year 2018-2020 Two-Year Budget; Adopt a resolution approving the Master Fees and Charges Schedule; and delegate investment authority to the Chief Financial Officer/Treasurer.

RECOMMENDATION:

That the City Council:

1. Conduct a public hearing on the City of Riverside’s Proposed Fiscal Year 2018-2020 Two-Year Budget and Fiscal Year 2018-2020 Capital Improvement Program Budget;
2. Adopt the attached resolution (Attachment 1) approving the Fiscal Year 2018-2020 Two-Year Budget (Attachment 1A) for the City of Riverside totaling \$1,078,045,863 in Fiscal Year 2018/19 and \$1,114,093,012 in Fiscal Year 2019/20 across all funds as amended by the budget adjustments reflected in Attachment 2;
3. Delegate investment responsibility to the City Chief Financial Officer/Treasurer beginning July 1, 2018 through June 30, 2019;
4. Adopt the attached resolution (Attachment 6) approving the revised Master Fees and Charges Schedule (Attachment 6A) and authorize the Chief Financial Officer/Treasurer to make any minor non-substantive changes to the schedule categories that do not affect the fees;
5. Direct staff to report to the Finance Committee on the City CalPERS cost projections and to begin discussions on the development of a plan to address the City’s rising CalPERS costs.

LEGISLATIVE HISTORY:

Several City Charter sections provide the procedural requirements for adoption of the budget by the City Council:

- Article VI, Section 601(a-c), requires the City Manager to keep the City Council advised of the financial condition of the City and annually prepare the City's budget and capital improvement plan (CIP) for review and adoption by the City Council.
- Article VIII, Section 801, requires the City Council include such appropriations of funds sufficient for the efficient and proper functioning of such boards and commissions.
- Article VIII, Section 808(c), requires the Board of Library Trustees to consider the annual budget for library purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- Article VIII, Section 809(b), requires the Park and Recreation Commission to consider the annual budget for parks, recreation, parkways and street tree purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- Article XII, Section 1202(a), requires the Board of Public Utilities to consider the annual budget for the Department of Public Utilities during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager
- Article XI, Section 1101, requires that the City Manager shall provide the City Council with a proposed budget at least thirty-five calendar days prior to the beginning of each fiscal year. After review, the City Council shall determine the time for the holding of a public hearing for the budget adoption; the public notice of the budget hearing published no less than twenty days prior to said hearing. Additionally, copies of the proposed budget shall be available for inspection by the public in the office of the City Clerk and on the City's website at least twenty days prior to the public hearing.
- Article XI, Section 1102 and 1103, requires the City Council to hold the public hearing for the proposed budget adoption, seek public input, make any revisions to the Budget it deems necessary. The City Council may adopt the budget after the public hearing or postpone the date of adoption no later than June 30th.

BACKGROUND:

On May 1, 2018, the City Council received and provided input on:

1. Proposed Fiscal Year 2018-2020 Two-Year Budget;
2. Fiscal Year 2018-2023 Five-Year Spending Plans for the General Fund, Measure Z, Electric, Water, Sewer, Refuse, and Parking Funds; and
3. Proposed Fiscal Year 2018-2020 Capital Improvement Program Budget and 2018-2023 Capital Improvement Program Plan.

From May 8 through May 22, 2018, the City Council received and provided input on the proposed budget (operational and capital) of each City department. Answers to questions asked by City Council throughout the May budget meeting process can be found at Attachment 3.

On May 22, 2018, the City Council approved and established 2018-22 Electric and Water rates; the Water rates are effective on July 1, 2018 and the Electric rates are effective on January 1, 2019.

DISCUSSION:

Fiscal Year 2018-2020 Proposed Two-Year Budget

The Proposed FY 2018-2020 Two-Year Budget presented to the City Council on May 1, 2018, totaled \$1.08 billion in FY 2018-2019 and \$1.12 billion in FY 2019-2020 in citywide uses across all funds.

Proposed Amendments

Following the proposed FY 2018-2020 budget presentations occurring during the May 8 through May 22, 2018 City Council meetings and City Council's adoption of the 2018-2022 Electric and Water Utility rates on May 22, 2018, several changes were identified for the City Proposed FY 2018-2020 Two-Year Budget. In summary, the changes include the following items

General Fund:

1. As a result of the Electric rate increase being pushed back to January 1, 2019:
 - a. Utility users tax (UUT) revenue decreases of \$253,475 in FY 2018/19 and \$267,357 in FY 2019/20;
 - b. General fund transfer (GFT) decrease of \$540,000 in FY 2019/20;
 - c. Revenue losses are offset partially by a decrease in estimated electric changes and other minor adjustments.
2. Innovation District Funding:
 - a. Allocate \$50,000 in FY 2018/19 and \$125,000 in FY 2019/20;
 - b. Offset by projected property tax revenue increase associated with new hotels, lofts and Stalder Plaza;
 - c. No net impact to General Fund;
 - d. Revenue estimates are 80% of anticipated additional revenues; project amounts and COO provided by CEDD;
 - e. Projects are now far enough along to accurately project property tax increases.
3. Crossing guards will no longer show a reduction of budgeted dollars, but an increase in revenues from the school districts.
 - a. No net impact to General Fund

Measure Z:

1. Funding of six full-time firefighter positions phased in over 2 years;
2. One-time funding of up to \$2.5 million in FY 2018/19 for new radios;

3. One-time funding of up to \$250,000 in FY 2018/19 for other Fire purchases (turnouts, extractor, etc.)
4. One-time funding of up to \$600,000 in FY 2018/19 for furniture, fixtures and equipment (FFE) for the Arlington Youth Innovation Center
5. \$50,000 in ongoing funding to expand/keep summer hours for pools
6. One-time funding could be utilized through unspent FY 2017/18 funding
 - a. Revised annual revenues from \$51.5 million to \$54 million, will allow for ongoing firefighter funding.
 - b. City will need to work through MOU issues with Fire Union as the MOUs include position totals.

Electric Fund

1. Staff projects a revenue shortfall of \$4.71 million in FY 2018/19 and \$4.97 million in FY 2019/20
2. Offsets to the estimated revenue shortage include:
 - a. Use of reserves of \$2.91 million in FY 2018/19 and \$627,000 in FY 2019/20;
 - b. GFT savings of \$540,000 in FY 2019/20;
 - c. Assume \$2 million in annual debt service savings achieved through refinancing existing debt, beginning in FY 2019/20;
 - d. Decrease of capital expenditures of \$1.8 million in FY 2018/19 and FY 2019/20.

Other Funds

1. Reduction in utility costs as a result of delayed implementation of rate increase for Electric.

Attachment 2 to this report provides a detailed analysis and recommended funding options to address the budget changes discussed above. Below is a summary of the total expenditure and revenue changes:

	FY 2018-19	FY 2019-20
Expenditures		
Proposed Budget	1,076,564,311	1,117,322,079
Recommended Changes	1,481,552	(3,229,067)
Revised Budget Proposal	1,078,045,863	1,114,093,012
Revenues		
Proposed Budget	1,014,420,117	1,041,363,618
Use of Bond Proceeds	34,046,000	40,485,000
Use of Reserves	28,098,194	35,473,461
<u>Recommended Changes</u>		
Revenues	(2,239,621)	(2,734,080)
Use of/(Addition to) Reserves	3,721,173	(494,987)
Revised Budget Proposal	1,078,045,863	1,114,093,012

Master Fees and Charges

Riverside Municipal Code Chapter 3.30 Section 3.30.040 requires that “The City Council shall, at least annually in conjunction with the City annual budget process, receive at a regularly scheduled meeting oral and written presentations concerning fees and charges proposed to be decreased, increased or deleted.” The Master Fees and Charges Schedule (Exhibit “A” to the Attachment 6 - Resolution) includes all fees and charges previously approved by Council action through May 31, 2018 and excludes fees no longer being charged. No new fees and charges or adjustments to previously approved fees and charges are being recommended as a part of this report, except for an increase to the Festival of Lights vendors of three percent (3%) of their sales.

FISCAL IMPACT:

The City’s revised FY 2018-20 Proposed Two-Year Budget totals \$1.08 billion in FY 2018-2019 and \$1.11 billion in FY 2019-2020.

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

Attachments:

1. Resolution Adopting the Two-Year Budget of the City of Riverside for FY 2018-19 and FY 2019-20
 - A. Proposed Biennial Budget for Fiscal Years 2018-19 and 2019-20 and Proposed Capital Improvement Program Budget for Fiscal Years 2018/19 and 2019/20
2. Staff’s Proposed Adjustments to the FY 2018-2020 Two-Year Budget
3. Responses to City Council’s Budget Questions
4. Unfunded Needs
5. Presentation
6. Resolution Approving the Master Fees and Charges Schedule
 - A. Master Fees and Charges Schedule as of June 1, 2018