

**Proposed Adjustments to the FY 2018-2020 Two-Year Budget
Staff Recommendations**

During the Council Meetings of May 1, 8, 15, and 22, 2018, the City Council received the Proposed FY 2018-20 Two-Year Budget and individual presentations of each department's budget. During those meetings, Council members expressed a desire to find options to address various unfunded needs.

On May 22, 2018, the City Council adopted increases to water and electric rates. With the move of the effective rates for electric rate increases from July 1, 2018 to January 1, 2019, additional budget changes were required.

This document contains the analysis and recommended funding options to address the various department unfunded needs identified by City Council, as well as additional budget changes to offset the reduction in revenues from the modified effective date of the electric rate increase.

Fire Department – Unfunded Needs

Staffing

The Fire Department listed an unfunded need for 6 additional Firefighter positions to bring staffing levels on Truck Company 2 and Truck Company 3 to a total of 4 firefighters. In order to achieve 4 firefighters per truck, it would require 2 firefighters per shift, and there are 3 shifts per day. Both trucks are currently operational and are staffed with 3 firefighters. Staff recommends a phased-in approach and the use of Measure Z to fund this ongoing cost.

Cost Analysis

The unfunded need was originally expressed in terms of the base cost of a firefighter. The following analysis includes the ancillary costs typically incurred with a new hire firefighter, including mid-range salary appointment, additional pays, start-up costs (e.g. safety gear), and the constant staffing coverage requirement when a firefighter is on paid leave.

Staff recommends allocating Measure Z funding for these positions in a phased-in approach, by hiring 3 fire-fighters effective January 1, 2019 and 3 firefighters effective July 1, 2019.

3 FTE effective January 1, 2019		
3 FTE effective July 1, 2019		
Description	FY 2018/19	FY 2019/20
Salaries & Benefits	185,156	820,376
Start-up Costs	25,937	26,715
Staffing Coverage	52,728	222,406
Total	263,821	1,069,497

Unfunded Need - Radios

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The Fire Department listed an unfunded need for handheld radios totaling \$2,403,727. The Fire department has applied for a grant approximating \$2 million; this grant will require a 10% match from City funds. The remainder of the balancing measure is the estimated cost of Bendix King handheld radios. Staff recommends setting aside \$2.5 million in a designated account in Measure Z contingency for the one-time purchase of the radios in FY 2018/19. This amount will provide sufficient funding for the required matching grant funds, or for the total purchase in the event that the grant is not awarded.

Miscellaneous

The Fire Department listed several other one-time needs, including safety clothing (turn-outs) and Hazmat monitors. Staff recommends allocating \$250,000 in Measure Z funds in FY 2018/19 for miscellaneous one-time equipment and operating needs.

Parks, Recreation & Community Services (PRCS) – Unfunded Needs

City Pools

The City Council expressed a desire to keep all City pools open during the summer. Staff recommends allocating \$50,000 in Measure Z for this purpose in FY 2018/19 and \$50,000 in FY 2019/20. Staff will continue to seek sponsorship opportunities for the City pools to help maximize the contributions that Measure Z is making to the Riverside Community.

Arlington Youth Innovation Center (AYIC)

On May 15th, PRCS presented a staff report requesting the award of a construction bid and summarizing the unfunded costs of the AYIC. The unfunded costs include approximately \$600,000 in Furniture, Fixtures & Equipment (FF&E), contract administration, and inspection Testing. Staff recommends allocating \$600,000 in Measure Z funds in FY 2018/19 for this one-time use.

Community & Economic Development – Unfunded Needs

Innovation District

On December 19, 2017, the City Council unanimously approved the creation of an Innovation District to attract new investment, retain local talent and create jobs, with the first such district located roughly between Downtown and UC Riverside. The Community & Economic Development (CEDD) listed the Innovation District as an unfunded need.

Planned development within the City including new hotels, lofts, and the Stadler Plaza is expected to generate approximately \$950,000 in new property tax revenue over the next five years. City staff has conservatively projected expected revenue growth of \$50,000 in FY 2018/19 and \$125,000 in FY 2019/20 and recommends allocating the projected revenue from these new developments to the Innovation District as seed funding.

Electric Rate Schedule – Implement January 2019

Summary

The Proposed FY 2018-20 Two-Year Budget included the impacts of a new Electric and Water rate schedules effective July 1, 2018 which were conceptually approved by the City Council on January 18, 2018. On May 22, 2018, the City Council approved the rate

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schedules with a modified effective date of the new Electric rate schedule of January 1, 2019. The following line items were impacted and are summarized in the Recommended Budget Adjustments schedule below:

General Fund:

- Revenue – Utility Users' Tax (UUT)
- Revenue – General Fund Transfer (GFT)
- Expenditure – Electric Utility Costs

Electric Fund:

- Revenue: Retail Sales
- Expense: Capital Outlay
- Expense: Debt Service
- Use of Fund Balance Reserves

Other Funds

- Expenditure – Electric Utility Costs

Staff recommends adjusting the following capital projects to offset a portion of revenue reductions in the Electric Fund. An alternative option would be to use Electric Utility Fund Reserves to fund capital projects at levels identified in the Proposed FY 2018-2020 Two-Year Budget. This would not impact Public Utilities' ability to meet the requirements of the existing fiscal policies over the next two years; reductions to capital projects may be needed in FY 2020-21 and beyond, depending on the financial impacts of the rate plan, debt refinancing, and ability to complete projects.

FY 2018/19	Proposed	Adjustment	Amended
510 – Electric Fund			
Neighborhood Street Light Retrofit	2,690,017	(352,707)	2,337,310
Major 4-12kV Conversion	2,327,927	(527,927)	1,800,000
Cable Replacement	3,434,790	(334,790)	3,100,000
Lines Rebuilds	1,789,804	(584,576)	1,205,228
Total Reduction	10,242,538	(1,800,000)	8,442,538

FY 2019/20	Proposed	Adjustment	Amended
510 – Electric Fund			
Neighborhood Street Light Retrofit	2,502,308	(352,707)	2,149,601
Major 4-12kV Conversion	1,849,532	(527,927)	1,321,605
Cable Replacement	2,822,794	(334,790)	2,488,004
Lines Rebuilds	2,506,363	(584,576)	1,921,787
Total Reduction	9,680,997	(1,800,000)	7,880,997

Miscellaneous Budget Adjustments

General Fund

- The impact of the delay in the new Electric rate schedule from July 2018 to January 2019 totals approximately \$1 million in reduced revenues from Utility Users' Tax (UUT) and General Fund Transfer (GFT) over FYs 2018-20.

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UUT		GFT		Total
FY 2018/19	FY 2019/20	FY 2018/19	FY 2019/20	
(253,475)	(267,357)	-	(540,000)	(1,060,832)

- Reduced electric utility costs will help offset this impact, along with recommended reductions in each fiscal year to the budgets of the City-Wide Audit Programs (-300,000 in FY 2018/19 and -\$327,500 in FY 2019/20) and Fiscal Management (-\$250,000 in FY 2018/19 and -\$119,310 in FY 2019/20). These reductions will leave \$250,000 in the City-Wide Audit Program in both FY 2018/19 and FY 2019/20, which may impact the number of City departments that can receive an audit. The Fiscal Management account is a City-Wide contingency account that is utilized for unanticipated projects. These reductions will leave \$250,000 in the Fiscal Management account in FY 2018/19 and \$380,690 in FY 2019/20.
- The Proposed FY 2018-20 Two-Year Budget included a reduction of expenditures related to crossing guard services provided to the Riverside and Alvord Unified School Districts. Upon further review, this balancing measure would result in increased reimbursement revenue, rather than an expenditure reduction. This reclassification has a net zero impact to the General Fund.

Measure Z

The proposed budget included conservative Measure Z sales tax projections, however a higher than projected trend in sales tax revenue has held through FY 2017/18. HdL, the City's sales tax consultant, projects \$54 million in Measure Z revenue in FY 2017/18. Staff recommends increasing the Measure Z revenue budget to reflect the new FY 2017/18 projection, while continuing a conservative 1% increase in projected revenue in FY 2018/19 and FY 2019/20.

As indicated earlier, staff recommends additional Measure Z funding for one-time uses in FY 2018/19 and select ongoing costs in both FY 2018/19 and FY 2019/20. The increase in anticipated revenue is sufficient to fund these items while building reserves.

	FY 2018/19	FY 2019/20	Total
110 - Measure Z			
One-Time Use			
Fire Equipment/One-time Operating	250,000	-	250,000
Contingency - Fire Radios	2,500,000	-	2,500,000
Arlington Youth Innovation Ctr FF&E	600,000	-	600,000
Subtotal One-Time Use	3,350,000	-	3,350,000
Ongoing Use			
Fire Truck Staffing	263,821	1,069,497	1,333,318
Recreation - Summer Pools	50,000	50,000	100,000
Subtotal Ongoing Use	313,821	1,119,497	1,433,318
Total New Spending Items	3,663,821	1,119,497	4,783,318

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Recommended Budget Adjustments – FY 2018/19

FY 2018/19	Proposed	Adjustment	Amended
101 - General Fund			
Revenue			
Property Tax	65,229,094	50,000	65,279,094
Utility Users' Tax - Electric	16,948,251	(253,475)	16,694,776
Revenue from Other Agencies	765,000	205,424	970,424
General Fund Transfer - Electric	40,705,000	-	40,705,000
Subtotal Revenue	123,647,345	1,949	123,649,294
Use of/(Addition to) Fund Reserves	(904,348)	(331,667)	(1,236,015)
Expenditures			
Non-Personnel - Professional Svcs	6,330,418	205,424	6,535,842
Non-personnel - Utilities	6,837,363	(35,142)	6,802,221
Special Projects - Fiscal Mgmt	500,000	(250,000)	250,000
Special Projects - CMO Audit Prgm	550,000	(300,000)	250,000
Special Projects - Innovation District	-	50,000	50,000
Subtotal Expenditures	14,217,781	(329,718)	13,888,063
110 - Measure Z			
Revenue			
Sales Tax	52,072,570	2,467,430	54,540,000
Use of/(Addition to) Fund Reserves	(6,632,834)	1,196,391	(5,436,443)
Expenditures			
Fire Truck Staffing	-	263,821	263,821
Fire Equipment/One-time Operating	-	250,000	250,000
Contingency - Fire Radios	-	2,500,000	2,500,000
Recreation - Summer Pools	-	50,000	50,000
Arlington Youth Innovation Ctr FF&E	-	600,000	600,000
Subtotal Expenditures	52,072,570	3,663,821	3,663,821
510 - Electric Fund – Impacts of delayed Electric rate schedule to January 1, 2019			
Revenue			
Retail Revenue	314,906,000	(4,709,000)	310,197,000
Use of/(Addition to) Fund Reserves	21,761,195	2,909,000	24,670,195
Expenditures			
Capital Projects	32,657,664	(1,800,000)	30,857,664
Debt Service	44,568,867	-	44,568,867
General Fund Transfer	40,705,400	-	40,705,400
Subtotal Expenditures	117,931,931	(1,800,000)	116,131,931

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Other Funds – Electric Cost Decreases			
Use of/(Addition to) Fund Reserves	13,874,181	(52,551)	13,821,630
Expenditures			
291 - Special Districts	23,900	(42)	23,858
510 - Electric / Utilities	1,395,225	(1,905)	1,393,320
511 - Electric-Public Benefit Progs	50,000	(127)	49,873
520 - Water	8,874,944	(31,274)	8,843,670
530 - Airport	79,400	(1,368)	78,032
540 - Refuse	32,000	(99)	31,901
550 - Sewer	2,712,127	(17,352)	2,694,775
570 - Public Parking	130,560	(384)	130,176
Subtotal Expenditures	13,298,156	(52,551)	13,245,605

Summary	Proposed Budget	Recommended Changes	Revised Budget Proposal
Expenditures			
Revised Budget Proposal	1,076,564,311	1,481,552	1,078,045,863
Revenues			
Revenues	1,014,420,117	(2,239,621)	1,012,180,496
Use of Bond Proceeds	34,046,000	-	34,046,000
Use of Fund Reserves	28,098,194	3,721,173	31,819,367
Revised Budget Proposal	1,076,564,311	1,481,552	1,078,045,863

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Recommended Budget Adjustments – FY 2019/20

FY 2019/20	Proposed	Adjustment	Amended
101 - General Fund			
Revenue			
Property Tax	67,340,561	125,000	67,465,561
Utility Users' Tax - Electric	17,595,225	(267,357)	17,327,868
Revenue from Other Agencies	765,000	423,173	1,188,173
General Fund Transfer - Electric	40,740,700	(540,000)	40,200,700
Subtotal Revenue	126,441,486	(259,184)	126,182,302
Use of/(Addition to) Fund Reserves	904,348	331,667	1,236,015
Expenditures			
Non-Personnel - Professional Svcs	6,477,928	423,173	6,901,101
Non-personnel - Utilities	6,956,389	(28,880)	6,927,509
Special Projects - Fiscal Mgmt	500,000	(119,310)	380,690
Special Projects - CMO Audit Prgm	577,500	(327,500)	250,000
Special Projects - Innovation District	-	125,000	125,000
Subtotal Expenditures	14,511,817	72,483	14,584,300
110 - Measure Z			
Revenue			
Sales Tax	52,593,296	2,492,104	55,085,400
Use of/(Addition to) Fund Reserves	3,816,121	(1,372,607)	2,443,514
Expenditures			
Fire Truck Staffing	-	1,069,497	1,069,497
Recreation - Summer Pools	-	50,000	50,000
Subtotal Expenditures	52,072,570	1,119,497	1,119,497
510 - Electric Fund – Impacts of delayed Electric rate schedule to January 1, 2019			
Revenue			
Retail Revenue	326,927,000	(4,967,000)	321,960,000
Use of/(Addition to) Fund Reserves	24,166,825	627,000	24,793,825
Expenditures			
Capital Projects	34,651,602	(1,800,000)	32,851,602
Debt Service	48,645,101	(2,000,000)	46,645,101
General Fund Transfer	40,740,700	(540,000)	40,200,700
Subtotal Expenditures	124,037,403	(4,340,000)	119,697,403
Other Funds – Electric Cost Decreases			
Use of/(Addition to) Fund Reserves	6,586,167	(81,047)	6,505,120

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291 - Special Districts	5,756,370	(28,880)	5,727,490
510 - Electric / Utilities	23,900	(42)	23,858
511 - Electric-Public Benefit Progs	1,395,225	(1,905)	1,393,320
520 - Water	50,000	(127)	49,873
530 - Airport	8,874,944	(31,274)	8,843,670
540 - Refuse	79,400	(1,368)	78,032
550 - Sewer	32,000	(99)	31,901
570 - Public Parking	2,712,127	(17,352)	2,694,775
Subtotal Expenditures	18,923,966	(81,047)	18,842,919

Summary	Proposed Budget	Recommended Changes	Revised Budget Proposal
Expenditures			
Revised Budget Proposal	1,117,322,079	(3,229,067)	1,114,093,012
Revenues			
Revenues	1,041,363,618	(2,734,080)	1,038,629,538
Use of Bond Proceeds	40,485,000	-	40,485,000
Addition to Fund Reserves	35,473,461	(494,987)	34,978,474
Revised Budget Proposal	1,117,322,079	(3,229,067)	1,114,093,012