CITY MANAGER'S BUDGET MESSAGE

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Office of the City Manager - Administration

May 25, 2010

Honorable Mayor and City Council
City of Riverside
3900 Main St., Riverside, CA 92522

Fiscal Year 2010-2011 Budget Hearing

Honorable Mayor and Council Members:

I am pleased to submit the Proposed Fiscal Year 2010-2011 Budget for your consideration and for additional public comments during today's Budget Hearing.

This budget is shaped by the realities which have grasped the national economy over the past several years, while also reflecting cautious optimism that this period of steep economic decline may be coming to a halt. Of primary significance at this point, however, is the extent to which this City Council's swift, decisive fiscal management has uniquely positioned Riverside for the coming fiscal year.

Reviewing this Proposed Budget within the context of spending plans in other jurisdictions further attests to the solid foundation upon which Riverside's approach has been based.

Projected Budget Deficits

City	Population	FY 10-11 Projected Deficit	Deficit per Capita
Los Angeles	4,094,764	$ 485,000,000	118
San Diego	1,376,173	$ 179,000,000	130
San Jose	1,023,083	$ 116,000,000	113
San Francisco	856,095	$ 482,700,000	564
Fresno	502,303	$ 30,600,000	61
Long Beach	494,709	$ 18,500,000	37
Sacramento	486,189	$ 43,000,000	88
Oakland	430,666	$ 42,600,000	99
Santa Ana	357,754	$ 25,000,000	70
Anaheim	353,643	$ 18,000,000	51
Riverside	304,051	-	-
Stockton	289,717	$ 23,000,000	79
Irvine	212,541	$ 17,000,000	80

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Recent newspaper headlines convey a wide range of strategies pursued by local governments throughout California. Cities and counties that ignored clear economic trends over the past 3-4 years must now slash public services and institute waves of employee layoffs to begin balancing their budgets. Jurisdictions that have opted to draw down reserves rather than make strategic spending reductions now face the grim reality of depleted contingency funds. The State of California continues to tinker with budgetary gimmicks while education and safety services relied upon by youth, families and the aged remain at risk for sharp reductions.

The City of Riverside, by contrast, enters Fiscal Year 2010-2011 in a forward lean. The Proposed Budget preserves key services, maintains a prudent General Fund Reserve and retains a highly productive workforce.

FY 2009-2010 in Review

As we prepare to enter into the new fiscal year, it's important to review the projected year-end status of the current spending plan.

FY 09-10
Projected Year-End
Gen Fund Budget Status

♦ Expenditures	$192 million
♦ Revenues	$188 million
♦ One time revenues	$ 4 million
♦ **Year-end Reserves**	**$ 40 million**

City Departments will complete the current year well within budget parameters, having managed spending below levels approved in the budget. Their success in this effort included aggressive pursuit of additional revenues along with detailed analysis of staffing requirements. As the City will complete the year without drawing upon the General Fund Reserve, $40 million remains in this account.

At this point in the year, taxpayers across California are besieged by negative messages from government agencies that seem fixated on what

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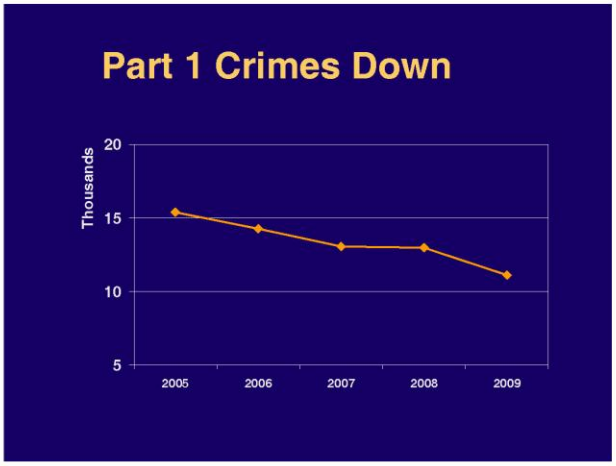
can't be done in these challenging economic times. Again, Riverside's approach is completely different; reviewing highlights of what has been accomplished is essential to set the stage for the year ahead. The resources that Riverside residents have entrusted to their City over the past year have created significant dividends in terms of public service and infrastructure investments. A review of three markers quickly demonstrates the type of achievements made over the past year. Under the Council's leadership, the City:

Preserved Safety in our Community



- Made 3,283 Felony arrests
- Made 3,269 Misdemeanor arrests
- Cleared 1,523 Part I crime cases
- Issued 18,483 Vehicle Code citations
- Responded to 533,101 calls to the 911 Dispatch Center
- Provided Emergency Medical instructions to 11,240 callers while paramedics were en route
- Answered nearly 26,000 calls for Fire Department responses (including Emergency Medical responses)
- Conducted 5,279 annual fire safety inspections

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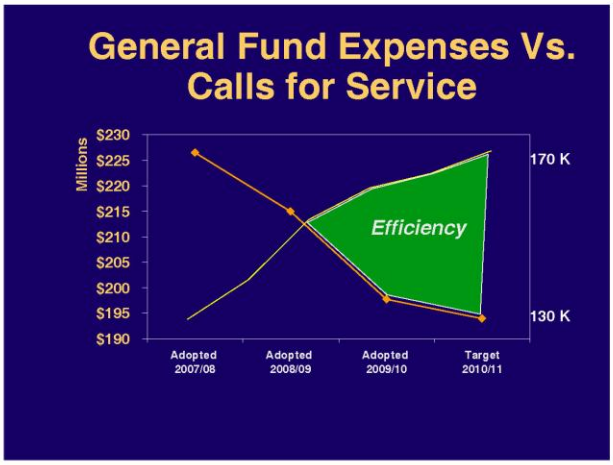
Set a New Standard for Public Service Efficiencies



As illustrated above, the City of Riverside has dramatically reduced operating costs and responded to record-high calls for service…simultaneously. Its workforce and managers have done so through efficiencies which have created national best practices for service delivery. It is particularly noteworthy that many of these achievements were made as the City reduced its General Fund workforce by more than 300 positions (largely through attrition and reassignments) over the past two years. As of this month, the City workforce includes 1,618 General Fund employees filling 1,337 full-time equivalent positions, along with 852 full-time positions outside the General Fund.

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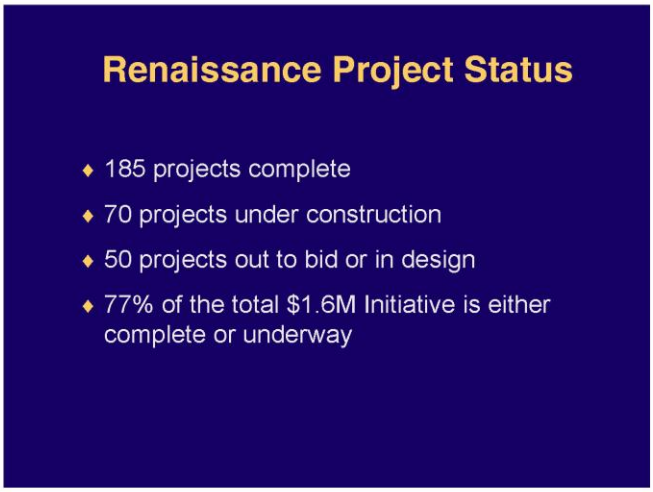
Delivered iconic projects via the Riverside Renaissance



With over three-quarters of the multi-year program already underway or complete, the Riverside Renaissance initiative is enhancing quality of life throughout our 26 neighborhood communities. Key projects recently completed include:

- Fox Performing Arts Center
- Downtown Beautification
- Jurupa Grade Separation
- Columbia Grade Separation
- La Sierra/SR 91 Interchange
- La Sierra Senior and Community Centers
- Bordwell Senior/Community Center Expansion and Remodel
- Nati Fuentes Childcare Center
- Casa Blanca Library Renovation
- Renewal of Lake Evans
- Medians and Street Rehabilitation projects throughout the City (including Central Ave, Van Buren Ave.)
- Park improvements (Andulka, La Sierra, Rancho Loma, Mt. View, Carlson, Rutland, Mr. Rubidoux)
- John W. North Water Treatment Plant

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Over the coming year, the City will focus on another series of important capital projects to include:

- Arlington Heights Sports Park
- Arlanza Library
- Marcy Library Relocation
- Hunter Park Adult Sports Complex
- Hunt Park Gymnasium
- Van Buren Ave-SR 91 Interchange
- Riverside Energy Resource Center #3 and #4
- RCC Joint Use Aquatics Center
- $19.2 million in vital transportation projects
- $30.5 million in sewer projects
- $34.3 million in electric projects
- $54.8 million in water projects

The City's achievements over the past fiscal year inspire confidence in what will be accomplished with the resources programmed into the FY 2010-2011 spending plan.

Proposed FY 2010-11 Budget

The City's overall Proposed Budget for FY 2010-2011 is $883,498,201 with General Fund expenditures totaling $194,733,410.

Of particular note is that the budget is targeted to sustain the General Fund Reserve of $40 million, consistent with the level projected for the end of the current fiscal year and representing approximately 21% of the total General Fund. By eliminating the need for use of Reserve funds in FY 2009-2010, the City retains this fiscal backstop which:

- Preserves the City's extremely strong credit rating (which generates additional savings through reduced financing costs); and

- Positions the City to address economic challenges which may arise as the regional economy begins to tilt in a positive direction.

This Budget has been prepared consistent with the concepts discussed at the City Council's Budget Workshop on April 27th. In response to Council questions and comments, the spending plan was subsequently revised to reflect recommendations for minor funding formula updates totaling just over $50,000 for the Museum and Human Resources Department.

While the basic framework underlying the Budget was presented during the recent Workshop, key elements are outlined below to further facilitate public review and input on this important Policy document.

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Revenues

Revenues supporting non-General Fund functions remain sufficient to support services and their related costs in these areas. The following table shows these revenue sources.

Budgeted Non General Fund Revenue Sources		
	FY 09-10	**FY 10-11**
Charges for Services	$ 448.7 m	$ 451.2 m
Taxes	53.6 m	48.0 m
Other (Primarily Interest)	40.2 m	37.0 m
Intergovernmental	103.3 m	33.3 m
Special Assessments	10.7 m	10.0 m
Fines and Forfeits	3.1 m	6.1 m
Licenses and Permits	2.7 m	2.4 m
Charges to Departments	7.2 m	7.6 m
Use of Bond Proceeds & Fund Balance	136.7 m	93.1 m
TOTAL:	**$ 806.2 m**	**$ 688.7 m**

General Fund Revenues, which support many of the City's basic operations and services are comprised primarily of Property and Sales Tax proceeds. The table below illustrates the various components.

Budgeted General Fund Revenue Sources		
	FY 09-10	**FY 10-11**
Property Taxes	45.6 m	$ 44.0 m
Sales & Use Taxes	42.2 m	39.9 m
Interfund Transfers	38.4 m	39.7 m
Utility Users Tax	28.0 m	25.9 m
Charges	9.5 m	9.9 m
Other Taxes	8.1 m	7.9 m
Licenses/Permits	7.0 m	7.3 m
Other	5.9 m	5.1 m
Fines/Forfeitures	4.1 m	5.1 m
Special Assessments	4.1 m	4.1 m
Intergovernmental	2.7 m	2.3 m
One-Time	2.2 m	3.6 m
TOTAL:	**$ 197.8 m**	**$ 194.7 m**

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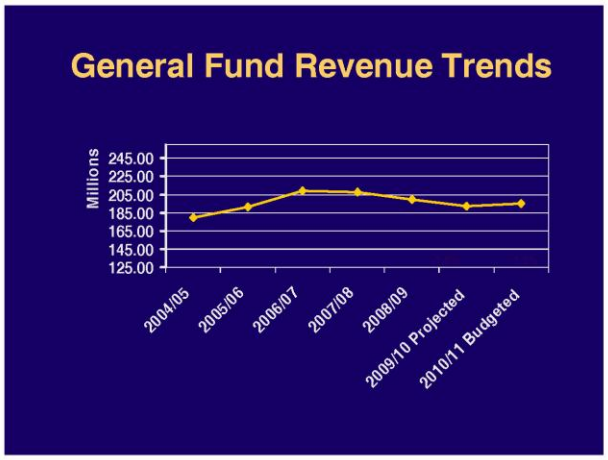
In preparing the City's annual budget, significant attention is always focused on General Fund revenue trends, to ensure that funding levels are projected at sustainable levels. As shown below, the City's General Fund revenue trends have closely followed economic cycles. The data points in the center of this chart are particularly noteworthy, in that they demonstrate how revenue figures form the basis for revenue levels forecasted for successive years.



Expenditures

As is customary, Public Utilities, Public Works and Development functions represent the overall majority of total City spending, which reflects the nature of these enterprise/capital oriented functions. Annual funding levels are largely driven by capital projects and external resources associated with such undertakings. Non-General Fund expenditures are categorized below for quick reference.

Budgeted Non-General Fund Allocations		
	FY 09-10	**FY 10-11**
Public Utilities	$ 530.7 m	$ 463.8 m
Public Works	171.2 m	120.0 m
Development	59.4 m	59.0 m
Management, Finance	27.7 m	22.2 m
General Services	10.2 m	10.6 m
Parks, Rec. & Comm. Services	4.1 m	7.5 m
Community Development	1.7 m	3.9 m
Airport	1.2 m	1.8 m
TOTAL:	**$ 806.2 m**	**$ 688.8 m**

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The General Fund is the portion of the Budget through which the City Council directs resources to provide most basic governmental services, particularly in the public safety arena. Given the significance of this portion of next year's spending plan, the next section of this report will focus primarily upon these budgetary elements.

With economic indicators beginning to show the first positive signs (both nationally and regionally), revenues and expenditures are projected to remain fairly close to last year's levels. In contrast to what has been seen over the past four years, flattening revenue estimates are positive news. As a result, next year's budget will allow continued direction of funds to support the Council's key priorities:

- Police & Fire
- Code Enforcement
- Homeless Assistance
- Parks and Community Service programs
- Libraries
- Project BRIDGE & Youth Opportunity Center
- Anti-Graffiti program
- Environmental stewardship
- Renaissance capital projects
- Arts & Innovation
- Seizing Our Destiny

Police and Fire budgets are based largely on current year expenditures, with only minimal cost reductions. Consistent with prior years, spending has been reduced on General Government functions (such as administration, finance and internal services) and in areas (such as Community Development/Code Enforcement) where external revenues are generated in place of local funding. Minor expenditure growth in Parks reflects operating costs associated with new/expanded facilities, while Information Technology appropriations show transfer of operating costs for the Public Safety Network as well as the Citywide Wi-Fi system which serves residents.

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Budgeted General Fund Allocations			
Department	**Rec. Appropriation**		**Change**
	FY 09-10	**FY 10-11**	
Police	$ 78.8 m	$ 76.8 m	-2.49%
Fire	40.0 m	39.4 m	-1.43%
Public Works	14.5 m	13.5 m	-7.13%
Parks, Rec. & Comm. Services	12.7 m	12.9 m	1.46%
Information Technology	9.6 m	9.8 m	1.75%
Management, Finance	9.4 m	9.2 m	-2.99%
Community Development	6.1 m	5.6 m	-7.94%
Library	5.3 m	5.2 m	-1.44%
Museum	1.0 m	1.0 m	0.00%
Other Departments	18.9 m	18.3 m	-3.55%
Assessment Districts	4.4 m	4.4 m	
Net Debt Service	14.2 m	18.5 m	
Code Enforcement Revenues	-	(1.0) m	
Net Cost Allocation Plan Impact	(17.2) m	(18.9) m	
TOTAL: (Appropriations rounded)	**$ 197.7 m**	**$ 194.7 m**	

The size of the City's General Fund is tied largely to the overall health of the regional economy. As seen over the past several years, the national economic slowdown has exerted extreme downward pressure on Inland Southern California. The Council's prudent fiscal policies combined with the City's entrepreneurial success have allowed Riverside to successfully

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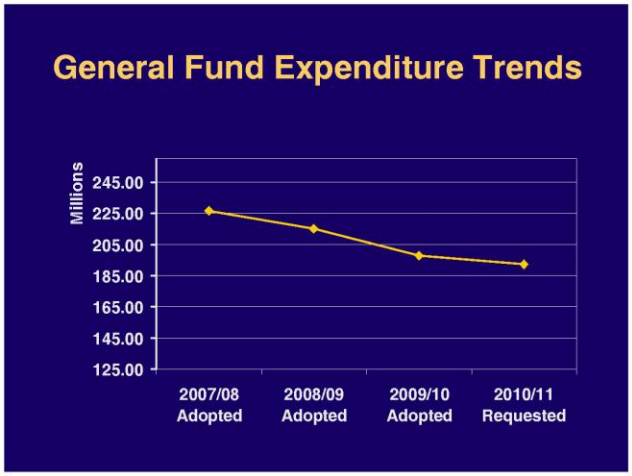
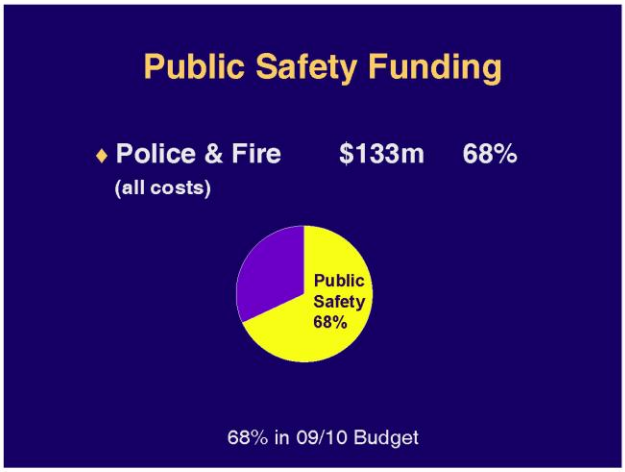
navigate through unprecedented, successive drops in key revenue sources.

As illustrated below, recommended General Fund expenditures align with projected revenues and cost saving opportunities, while maximizing resources to support Council priorities. The budget plan presented to the Council has been crafted to sustain existing public service levels provided to City residents.



Total spending on *Public Safety staffing and services again comprises approximately 68% of the General Fund Budget*.



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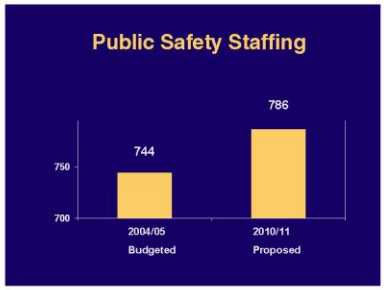
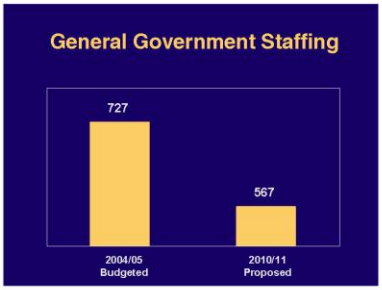
At this level, the City will sustain current staffing levels at all Fire Stations, focus Police resources upon patrol staffing and field supervision (while pursuing Federal Stimulus funds for up to 15 new Officers), maximize use of the new 4.9 GHz Public Safety network, and continue the life saving benefits of our Emergency Medical Dispatch program. As a designated Urban Area Security Initiative jurisdiction, Riverside is also slated to receive approximately $1.3 million in additional funding for Police explosives response equipment, on-scene support apparatus for firefighters, emergency generator switchgear, an Emergency Operations Center data system, threat analysis, training and associated staffing.

A look at staffing trends over the past 5-6 years also reveals how resources have been prioritized to enhance public safety staffing while decreasing the costs required to provide General Government services.





Associated Budget Actions

In addition to specific departmental funding allocations, the Proposed Budget also recommends a series of actions routinely associated with adoption of the annual spending plan. Specifically, it includes amendments to the Master Fringe Benefits and Salary Resolution to: delete various obsolete classifications, update classifications to meet operational needs of service departments and define non-classified salary ranges in a manner consistent with California Public Employees Retirement System (CalPERS) requirements. Lastly, an amendment to the City's contract with CalPERS is recommended to allow all City employees to participate in the Pre-tax Payroll Deduction Plan for Service Credit Purchases per the Internal Revenue Code. There is no cost to the City to implement this amendment which allows City employees to purchase service credit using their individual 457 or 401a Deferred Compensation Accounts.

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Potential State Budget Impacts

As Riverside emerges from the nationwide recession both financially sound and more efficient than ever, the State of California's ongoing budget crisis looms as a potential dark cloud on the fiscal horizon. By missing key opportunities to bring order to its finances in recent years, the State faces growing deficits which threaten all of its residents - - and the local governments which serve them.

The Governor's revised budget proposal faces sharp criticism from all corners. Advocates of fiscal reform assail the plan for its failure to tackle the underlying causes of perpetual budget deficits, to include excess spending. Those who remain firmly committed to meeting society's responsibility toward educating its children, healing its sick and caring for its aging are alarmed over recommendations to slash basic services for those most in need. But all observers seem to agree on one thing; our State simply cannot continue to remain mired in fiscal disarray, lest it threaten to undermine California's economic recovery…and perhaps even the legendary quality of life afforded to its nearly 39 million residents.

Closer to home, the City of Riverside is keeping a watchful eye on several potential threats to local services and our neighborhoods.

- Elimination of the CalWORKS program, which serves as a pathway toward self sufficiency for residents facing financial crisis.

- Sharp reductions in mental health care, which currently offers a critical safety net for individuals who may not otherwise be able to function in society.

- Transfer of convicted felons to County Jails, which are already implementing early release programs to ease the strain of overcrowding.

- Loss of $3 million from Riverside's own redevelopment funding, stalling essential local improvement projects to fulfill the State's General Fund obligations (in addition to approximately $17 million in funds similarly raided from our Redevelopment Agency earlier this month).

- Creation of a traffic enforcement program designed solely to generate State revenues, while potentially leaving cities with unspecified costs to install and operate such systems.

As illustrated in even the few examples above, elements of Riverside's economic future hang in the balance as State leaders consider how…or whether…to right-size California's budget to reflect its fiscal reality.

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Staff will continue to monitor developments on this front, and will seek opportunities for direct engagement with State Legislators by our Mayor and Council. Should State officials continue along this course, the League of California Cities, California State Association of Counties and California Redevelopment Association and other cities/counties remain at the ready to seek legal redress as may be required.

Summary and Recommendations

Preparation of the FY 2010-2011 Budget culminates a complex process undertaken by all City Departments to ensure that the funding plan meets the City Council's policy directives and public service priorities. The underpinnings of this Budget are sound, and reflect this Council's traditionally conservative approach to allocating resources to address our community's current needs and safeguard its long-term fiscal wellbeing.

IT IS, THEREFORE, RECOMMENDED that the City Council:

1. Conduct a Public Hearing to receive citizen comments on the proposed Fiscal Year 2010-11 Annual Budget;

2. Provide direction to staff regarding any modifications to be made prior to adoption of the Annual Budget; and

3. Consider adoption of the Final Budget during the evening session of the City Council's May 25, 2010 meeting.

Respectfully Submitted,

Bradley J. Hudson

BRADLEY J. HUDSON
City Manager

Attachments

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Office of the City Manager - Administration

May 25, 2010

Honorable Mayor and City Council
City of Riverside
3900 Main St., Riverside, CA 92522

Fiscal Year 2010-11 Budget Adoption

Honorable Mayor and Council Members:

I am pleased to submit, for your review and adoption, the City of Riverside's Fiscal Year 2010-11 Budget.

This Final Budget has been prepared consistent with the City Council's direction during the Budget Workshop on April 27th, and is now presented for your approval following the Budget Hearing conducted during this afternoon's session. Detailed narrative submitted in conjunction with the Budget Hearing outlines the context in which this Budget was crafted, as well as public service levels sustained through this recommended funding plan.

IT IS, THEREFORE, RECOMMENDED that the City Council:

1. Adopt a resolution approving the City of Riverside's Final Budget for fiscal year 2010/11 totaling $883,498,201 of which $194,733,410 comprises the General Fund;

2. Authorize the staffing authorizations as set forth in Attachment E, subject to classification review by the Human Resources Department;

3. Adopt the attached Resolution (Attachment F) amending the Fringe Benefits and Salary Resolution;

4. Approve the attached PERS Resolution (Attachment G) authorizing pre-tax payroll deductions for employee service credit purchases;

5. Authorize the City Manager, or his designee, to execute contracts approved for funding in the approved budget.

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6. Authorize an interfund loan in the amount of $3,460,000 from a fund to be designated by the Chief Financial Officer to the Local Park Impact Fees Fund (411) to cover debt service on the Series 2008 Certificates of Participation associated with park and community center projects recently completed or under construction. The loan will be for a period not to exceed five years at the City's cash pool interest rate.

7. Authorize an interfund loan in the amount of $425,000 from a fund to be designated by the Chief Financial Officer to the General Fund (101) to support transfer of the WiFi network to the City. The loan will be for a period not to exceed five years at the City's cash pool interest rate.

Respectfully Submitted,

Bradley J. Hudson

BRADLEY J. HUDSON
City Manager

Attachments

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