



FINANCE DEPARTMENT

FY 2019-20 BUDGET IN BRIEF

INTRODUCTION

STRATEGIC PLAN

The strategic plan is the City's guide to achieve the goals identified in the vision. The strategic plan is a living document that the governing body reviews and adopts frequently to make updates and adjustments to address the concerns of the community. It serves as the foundation for the development of the operating and capital improvement program budget. The budget is a reflection of the City's priorities and should align with the strategic plan to accomplish goals towards the City's vision. The graphic below provides a brief overview of the City's current Strategic Plan 2.1, approved by the City Council in February 2015.

RIVERSIDE 2.1 STRATEGIC PLAN

VISION

Seizing Our Destiny

4 PILLARS OF SEIZING OUR DESTINY

1. Intelligent Growth

2. Catalyst for Innovation

3. Location of Choice

4. Unified City

CITY LEADERSHIP

Advancement of City Council Strategic Priorities

- Enhanced Customer Service and Improved Quality of Life
- Economic Development
- Community Services
- City Transportation
- Improve Housing Diversity and Options
- Improve Teamwork and Communication
- Reduce Taxpayer Liability and Costs

CITY ORGANIZATION

Consistency with Effective Government Principles

Accountability

Transparency

Responsiveness

Financial Prudence

Decisiveness

CITY-WIDE OVERVIEW

FUNDS

The City of Riverside uses fund accounting to ensure compliance with finance related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City's budget is divided into six types of funds: General Fund (includes Measure Z), Special Revenue, Capital Funds, Enterprise, Internal Service

General fund provides City services that the general public typically associates with local government, which include parks, library, museum, police, fire, public works and general administrative support. The General Fund collects all general revenues not specifically levied or collected for other City funds or expenditures.

Special Revenue Funds consist of restricted funds, which may not be used for general municipal purposes. They are restricted for specific purposes by Local Ordinance, State or Federal Statute. These groups of funds represent services funded primarily by other levels of government. Should the funding for most of these programs be eliminated, it is likely that the services would also be eliminated or the General Fund would absorb the services.

Capital Funds are used to fund a variety of City projects for parks, roadways, public facilities and infrastructure improvement projects.

Enterprise Funds are primarily funded by charges for services to provide operating and capital costs.

Internal Service Funds serve only functions of the City. These include the Worker's Compensation and Liability Trust Funds, Fleet Maintenance and Central Stores warehouse.

CALPERS CHALLENGE

Over the next five years (FY 2020/21 to FY 2022/23), the City anticipates its annual retirement expenditures to increase by 18.1% from approximately \$87.1 million to \$102.9 million. The UAL projections are based on an actuarial report prepared for the City by Bartel Associates, LLC., dated January 28, 2019. The normal cost projections are based on FY 2020-2025 preliminary budget estimates which will change as the City prepares and finalizes the budget for City Council adoption in June 2020.

The City has taken several steps over the years to reduce pension costs:

- 2003-2004 – The City issued Pension Obligation Bonds to extinguish the Unfunded Accrued Liability at that time, and to reduce future annual payments.
- 2011-2012 – Required all new CalPERS employees (Tier 2) to pay the employee portion of CalPERS pension costs.
- 2013 – Reduced pension costs by establishing lower pension benefits for new (PEPRA/Tier 3) employees.
- 2016 – Existing employees not currently paying the employee share of CalPERS retirement costs began doing so. Currently, the savings impact of this action are mitigated by the California Rule.
- 2017 – Refinanced \$30 million Bond Anticipation Note using Measure Z Funds. Allowed a fixed interest rate for the pension related debt and an accelerated payoff of the principal balance.
- 2019 – Adopted a Pension Stabilization Fund that establishes financial strategies to lower pension costs, including the establishment of a Section 115 Pension Trust, pre-payment of the annual UAL payment (average \$1.4 million/year savings), and allocation of one-time revenues toward pension costs.
- Every Year – Implement operational efficiencies, where possible, to minimize costs and impact to service levels as CalPERS costs increase.

CITY WIDE OVERVIEW

The City's 2018-2020 Biennial Budget totals \$1.08 billion for FY 2018/19 and \$1.12 billion for FY 2019/20 across all funds. The table below provides a summary of the budgeted revenues and expenditures for the major fund types.

	FY 2017/18 Actual	FY 2018/19 Adopted	FY 2019/20 Adopted	FY 2019/20 Amended
Revenues				
General Fund	\$284,405,053	\$270,070,218	\$280,999,020	\$278,942,314
Measure Z	67,143,635	54,540,000	55,085,400	59,100,000
Electric	394,766,162	393,658,932	422,272,484	418,936,484
Water	74,238,950	88,188,125	94,605,486	99,703,486
Refuse	24,228,026	23,053,635	23,096,435	25,441,965
Sewer	67,793,406	66,847,305	67,552,100	68,439,438
Public Parking	7,168,872	6,529,021	6,649,218	7,013,811
Other Funds	170,114,273	143,995,369	128,907,496	135,340,930
Total Revenues	\$1,089,858,377	\$1,046,882,605	\$1,079,167,639	\$1,092,945,428
Expenditures				
General Fund	\$270,359,469	\$268,834,151	\$282,235,032	\$280,372,427
Measure Z	51,542,706	49,103,557	57,528,914	59,139,201
Electric	373,224,944	429,260,989	449,005,362	456,594,936
Water	74,452,793	93,511,487	94,186,907	102,049,791
Refuse	23,232,813	25,232,031	26,191,876	26,815,371
Sewer	55,053,224	74,202,944	71,555,155	64,989,311
Public Parking	6,109,623	6,871,437	6,833,697	6,810,529
Other Funds	153,838,580	133,429,267	128,356,069	132,964,795
Total Expenditures	\$1,007,814,152	\$1,080,445,863	\$1,115,893,012	\$1,129,736,361

Although the budget is adopted on a 2 year cycle, staff reviews and recommends financial and operational adjustments that were not incorporated during the original development of the budget. Mid-cycle budget review allows the City Council to consider staff's recommended adjustments to ensure accurate and timely funding for priorities and programs.

However staff reviews and analyzes the budget and makes adjustments to ensure that the following year's budget is representative of trends and takes into account any changes or challenges encountered throughout the year. It also incorporates changes in priorities and programs from City Council direction or other external influences.

CITY-WIDE OVERVIEW

PERSONNEL

The City of Riverside employs approximately 2,500 Full-Time Equivalents (FTE). An FTE is a position that works 2,080 hours per fiscal year, or in some instances, 2,912 hours for certain Fire personnel. For example, an employee that is considered full-time and works 2,080 hours per year is equal to 1.00 FTE, where as an employee that is considered part-time and works 1,040 is equal to 0.50 FTE. The table below provides the total number of FTE by Department along with the annual adopted budgeted amounts for salaries and benefits for all of the approved positions.

Department	FY 2018/19 Adopted		FY 2019/20 Adopted	
	FTE	Budget	FTE	Budget
Mayor	7.25	\$761,075	7.25	\$829,391
City Council	14.00	1,110,252	14.00	1,238,789
City Manager	32.55	4,660,178	32.55	5,063,849
City Clerk	10.00	1,193,586	10.00	1,281,164
City Attorney	35.00	5,461,667	35.00	5,973,586
Human Resources	36.00	5,763,641	36.00	5,814,525
General Services	78.00	8,250,934	78.00	8,907,047
Finance	60.00	6,642,848	60.00	7,260,026
Innovation & Technology	59.25	8,181,549	59.25	8,945,622
Community & Economic Development	120.75	14,299,793	120.75	15,570,398
Police	557.00	97,845,567	569.00	106,306,450
Fire	245.00	49,359,473	248.00	53,699,564
Public Works	330.00	37,966,655	330.00	40,756,701
Library	60.00	5,120,868	60.00	5,503,340
Parks, Recreation & Community Services	202.60	12,860,800	202.57	13,858,905
Museum	13.50	1,408,207	13.50	1,575,201
Public Utilities	641.90	93,048,427	641.90	99,671,501
CITY-WIDE TOTAL	2,502.80	\$353,935,520	2,517.77	\$382,256,059

Personnel costs account for approximately 34% of the total Citywide budget. As the continued costs of salaries and pensions continue to rise, Riverside has made efforts to reduce and contain costs through outsourcing services, increased use of technology, and investing more professional training of employees to leverage the skills of current staff. In July 2018, the City Manager's Office implemented managed hiring where each vacant position is scrutinized and evaluated to determine necessity before recruitment.

GENERAL FUND OVERVIEW

General fund provides City services that the general public typically associates with local government, which include parks, library, museum, police, fire, public works and general administrative support. The General Fund collects all general revenues not specifically levied or collected on behalf of City funds or expenditures.

The table below provides a summary of the General Fund that includes the actual amount spent for FY 2018/19 and the amended budget

	FY 2018/19 Actuals	FY 2019/20 Amended
Beginning General Fund Reserve	\$63,472,000	\$61,674,300
<u>REVENUES / TRANSFERS IN</u>		
Property Tax	\$69,343,000	\$70,194,896
Sales and Use Tax	68,359,200	66,159,534
Utility Users Tax	28,009,300	28,837,533
Transient Occupancy Tax	7,163,400	7,158,960
Franchise Fees	5,256,500	4,764,768
Licenses & Non-Developer Permits	8,595,100	8,781,814
Intergovernmental Revenues	3,465,900	2,199,173
Non-Development Charge for Services	10,410,000	11,249,161
Developer Fees & Charge for Services	7,770,300	7,872,525
Fines and Forfeits	2,070,700	1,190,334
Miscellaneous Revenues/Other Financing Sources	6,682,500	5,567,991
General Fund Transfer (GFT) from Water & Electric	46,470,700	46,893,700
Transfer in from Measure Z & Other Funds	15,072,000	18,266,026
<i>Total Revenues/Transfers In</i>	\$278,668,600	\$279,136,415
<u>EXPENDITURES / TRANSFERS OUT</u>		
Personnel Costs	\$193,600,100	\$206,464,741
CalPERS UAL (Miscellaneous & Safety Groups)	22,874,800	27,264,269
Non-Personnel Costs	48,587,800	50,264,648
Special Projects and Outlay	11,060,600	9,231,295
Debt Service	24,540,500	21,569,110
Charges To/From	(43,608,200)	(44,574,190)
Special Districts & Parks Capital Subsidies	3,808,300	1,649,076
Convention Ctr, RCVB, Sport Commission	5,178,900	4,879,651
Fox, Box & Muni Auditorium Subsidy	3,609,300	3,434,781
Other Charges & Operating Transfers	1,728,500	189,046
<i>Total Expenditures/Transfers Out</i>	\$271,380,600	\$280,372,427
Surplus/(Deficit) (revenue - expenditures)	7,288,000	(1,236,012)
Less Prior Year Carryovers & Adjustments	9,085,700	-
Ending General Fund Reserve	\$61,674,300	\$60,655,388
15% Reserve Requirement	\$42,000,000	\$42,055,900
20% Aspirational Reserve	\$56,000,000	\$56,074,500

GENERAL FUND OVERVIEW

BUDGET DEVELOPMENT

The City utilizes many techniques to forecast recurring revenues and expenditures. Revenue estimates are developed by staff with input from Departments using a variety of techniques, including trend analysis, judgement and experience. These methods include reviewing and analyzing historical performance, consideration of expert opinions from the UC Riverside School of Business Inland Empire Economic Forecast that provides insight on the local, state and federal economy, input from the City's sales tax and property tax consultants, HdL Coren & Cone, and incorporating known and potential legislative and development impacts. The development of the general fund revenues was based on a conservative outlook that expenditures would outpace revenues as a result of flattening revenues in sales tax and a significant increase in CalPERS pension obligations.

REVENUES

Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users Tax and the General Fund Transfer make up approximately 84% of total revenues to the General Fund. Property Tax and Sales Tax are the most sensitive to the state of the economy. When developing the budget, annual growth for these primary revenue sources were anticipated to slow down and flatten.

Staff continues to monitor revenues and makes adjustments to the revenue budgets throughout the year to ensure sufficient funding is available for expenditures. Property taxes are most influenced by the value of real property and the winding down of redevelopment.

Sales tax for Riverside is mainly driven by and heavily reliant on the sale of cars. However, fuel prices and spending on general consumer goods has decreased for the City over the past few years. There was a significant increase from FY 2017/18 to FY 2018/19 due to the California Department of Tax and Fee Administration changing their software which delayed payments to the City. This was an issue across the State.

Transient Occupancy Tax (TOT) also known as the hotel tax has had significant growth that could be attributed to more special events being held at the Convention Center, Fox Theater and the growth of Festival of Lights. Additionally, an agreement with AirBnb was implemented in December 2018 that allowed for the City to collect TOT on short term rentals placed through the web platform.

Utility Users Tax (UUT) and General Fund Transfer (GFT) are revenues from utilities in the City and are based off of gross sales and usage by customers.

The table below provides a five year historical view of the major revenue sources for the General Fund:

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Utility Users Tax	General Fund Transfer	Total	Growth over Prior Year
FY 2014/15	\$54.2 M	\$59.4 M	\$5.3 M	\$28.1 M	\$45.3 M	\$192.2 M	5%
FY 2015/16	55.5 M	61.0 M	6.1 M	27.8 M	44.8 M	195.2 M	2%
FY 2016/17	59.5 M	63.3 M	6.6 M	28.0 M	44.9 M	202.3 M	4%
FY 2017/18	63.5 M	64.1 M	6.8 M	27.5 M	46.2 M	208.2 M	3%
FY 2018/19	69.3 M	68.4 M	7.2 M	28.0 M	46.5 M	219.3 M	5%
FY 2019/20 Budget	70.2 M	66.2 M	7.2 M	28.8 M	46.9 M	219.3 M	0%

GENERAL FUND OVERVIEW

EXPENDITURES

General Fund expenditures are focused solely on providing core services to the residents.

Personnel

Salaries, benefits and retirement make up the largest expense of the budget at 84%, with public safety making up 64% of that total. The largest projected impact to the City's financial future is the rising cost of pensions from CalPERS. Pension costs are approximately 23% of the personnel budget. It is expected to increase approximately 45% over the next five years (FY 2018-2023). The table below is a breakdown of the personnel budgets for FY 2019/20 by Department and Personnel expense type:

Department	Salaries	Benefits	PERS Normal Cost	PERS UAL	Total
Mayor	\$572,983	\$117,483	\$64,191	\$74,734	\$829,391
City Council	831,779	251,795	71,541	83,674	1,238,789
City Manager	3,231,074	418,725	425,075	527,796	4,602,670
City Clerk	851,360	154,526	126,880	148,398	1,281,164
City Attorney	4,043,277	556,238	567,429	662,266	5,829,210
Human Resources	2,393,323	435,960	328,622	383,213	3,541,118
General Services	2,265,262	435,050	315,199	368,653	3,384,164
Finance	4,578,429	791,909	634,512	742,120	6,746,970
Innovation & Technology	6,252,922	939,006	834,554	950,360	8,976,842
Community & Economic Development	9,193,156	1,609,427	1,318,823	1,529,370	13,650,776
Police	63,360,110	10,612,093	12,526,593	11,473,426	97,972,222
Fire	34,083,792	4,390,019	6,581,454	6,017,007	51,072,272
Public Works	11,581,663	2,257,030	1,560,811	1,826,037	17,225,541
Library	3,644,682	758,641	508,245	591,772	5,503,340
Parks, Recreation & Community Services	7,627,045	1,140,515	835,564	880,478	10,483,602
Museum	<u>1,036,806</u>	<u>184,224</u>	<u>140,992</u>	<u>150,154</u>	<u>1,512,176</u>
GENERAL FUND TOTAL	\$155,547,663	\$25,052,641	\$26,840,485	\$26,409,458	\$233,850,247

Other Non-Personnel Costs

Other non-personnel costs include materials, supplies, maintenance, repair, and service contracts, and other resources that Departments require to continue to provide core services to the community. The rising costs of professional services, materials, and supplies also apply pressure on the General Fund. Moreover, subsidies for the City's entertainment facilities have increased due to lower event sales at the Fox, Box, Riverside Municipal Auditorium (RMA) coupled with the heavy debt load borne by the facilities.

MEASURE Z

Measure Z is a one-cent transaction and use tax approved by voters on November 8, 2016. It generates approximately \$58 million annually for the City and is intended to restore critical services that were eliminated during the recession and to fund other critical needs such as enhancing public safety and investing in the repair and maintenance of public streets, trees and facilities. It is only recently with the availability of Measure Z, that services have been restored and the City continues to manage and monitor expenses with the creation of the Budget Engagement Commission that provides public oversight of these public funds.

REVENUES

It has been difficult for staff to project estimated revenues to be received through Measure Z. Not only is it a new tax, but it is dependent on consumer spending and the state of the economy. Additionally, there is no correlation between the transaction tax versus general sales tax. However, since the implementation of Measure Z, the City has experienced out performing revenue projections in this fund.

EXPENDITURES

The Five Year Spending Plan for Measure Z includes the debt service for the construction of the new Main Library Police headquarters, Museum rehabilitation, the purchase of first responder vehicles, ongoing personnel costs for public safety, and other designated projects such as street improvements, homelessness solutions, citywide technology improvements. The five year spending plan FY 2016-2021 was originally approved by the City Council subsequent to the pass of Measure Z. Since then, many items have been added to the plan including the Public Safety Engagement Team that is intended to address homelessness in the City in the amount of \$3.5 million. For the development of FY 2020-22 Budget, a new spending plan will have to be discussed and approved by the BEC and the City Council. The table provides a summary of the fund for FY 2018-2020 by category.

MEASURE Z	FY 2018/19 Actuals	FY 2019/20 Amended
Beginning Available Balance	\$22,720,976	\$18,711,291
<u>REVENUES / TRANSFERS IN</u>		
Transaction Tax & Interest	\$62,692,745	\$59,000,000
<u>EXPENDITURES / TRANSFERS OUT</u>		
Financial Discipline	\$4,173,554	\$3,674,490
Funding Gap	13,238,623	18,266,026
Critical Operating Needs	393,722	2,188,100
Public Safety	14,747,995	18,959,137
Quality of Life	3,502,498	9,299,948
Facility Capital	4,498,128	7,972,735
Technology	433,629	2,000,000
<i>Total Expenditures/Transfers Out</i>	\$40,988,149	\$62,360,436
Surplus/(Deficit) (revenue - expenditures)	\$44,425,572	\$15,350,855
Less Prior Year Carryovers & Adjustments	\$20,714,281	-
Reserve Policy	\$5,000,000	-
Ending Available Balance	\$18,711,291	\$15,350,855

ENTERPRISE FUNDS OVERVIEW

The City of Riverside owns and operates four major public utilities: Electric, Water, Sewer, and Refuse. These services are accounted for in individual Enterprise Funds. An Enterprise Fund is a self-supporting government fund that provides goods or services for a fee. Parking and the Airport are also considered enterprises. The City Council has the authority to adopt rate changes when necessary to ensure the continued recovery of costs for services and to secure reinvestment into the system infrastructure for long-term sustainability, such as capital improvement projects to replace transmission lines or repair facilities. Please keep in mind that there may be a large deficit in some funds for FY 2019/20 due to carryover, however sufficient funding is available for these transactions. Carryovers in enterprise funds are typically related to ongoing large capital improvement projects.

RIVERSIDE PUBLIC UTILITIES

The Riverside Public Utilities Department is responsible for the management of the City-owned water and electric utilities. It provides high quality and reliable services to over 109,000 metered electric customers and approximately 65,000 metered water customers throughout the City of Riverside. The Board of Public Utilities provides direct oversight of the Department and forwards recommendations to the City Council for approval when necessary.

In May 2018, the City Council approved the five year rate plan for the electric and water utility. Water rates were adopted on the proposed schedule. On the other hand, electric rate increase implementation was delayed by six months.

ELECTRIC

The Electric Division maintains and operates 91 circuit miles of transmission lines, 1,283 circuit miles of distribution lines, 14 substations, and 3 generating plants totaling 270 megawatts. Charges for service through rates are the primary source of funding for operations and the capital improvement program.

The Electric Fund is the largest fund in the City with a budget of over \$456.3 million. More than half of its costs go towards the purchase of power. Projections also anticipate increases in transmission, renewable energy, renewal projects coming online, contractual agreements and higher market energy prices. Other anticipated assumptions include the refinancing of bonds to take advantage of better rates and possible issuance of new debt for more capital improvement projects.

Reserves, in conjunction with a line of credit, were used to balance the FY 2018-19 budget while still maintaining the minimum reserve level established by policy. However, with the six month delay in the electric rate increase, reserve levels may drop slightly below the target minimum in FY 2021-23, which is allowable by policy as long as there are plans to return the reserve levels to the minimum target within three years.

Electric Fund	FY 2018/19 Actual	FY 2019/20 Amended	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022-23 Projected
Beginning Available Balance	\$367,569,755	\$331,433,887	\$273,599,937	\$250,685,192	\$244,155,218
Revenues & Transfers In	372,968,849	418,963,484	435,104,245	450,695,449	471,508,320
Expenditures and Transfers Out	409,104,717	476,797,434	458,018,990	457,225,423	476,226,265
Surplus/(Deficit)	\$(36,135,868)	\$(57,833,950)	\$(22,914,745)	\$(6,529,974)	\$(4,717,945)
Ending Available Balance	\$331,433,887	\$273,599,937	\$250,685,192	\$244,155,218	\$239,437,273

ENTERPRISE FUNDS

WATER

The Water system includes 56 wells and 6 treatment plants to produce water and 15 active reservoirs with the capacity to store over 108 million gallons of water. There are 1,005 miles of transmission pipeline that deliver an average of 67.5 million gallons of water to customers daily. Charges for service through rates are the primary source of funding for operations and the capital improvement program.

Water revenue projections incorporated rate increases as well as a 2.4% increase in usage due to the lifting of mandatory conservation during the drought. Additionally, wholesale, conveyance, and lease revenues are included based on existing agreements with other agencies. Bond proceeds and the drawdown of reserves for the construction of capital improvement projects are built into the projections as well. Water expenditures are planned to focus on critical infrastructure and to expand assistance to low and fixed income households.

Water Fund	FY 2018/19 Actual	FY 2019/20 Amended	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022-23 Projected
Beginning Available Balance	\$98,168,920	\$76,205,417	\$73,859,112	\$72,806,081	\$76,294,556
Revenues & Transfers In	71,594,021	99,703,486	106,229,883	105,193,983	116,922,224
Expenditures and Transfers Out	93,557,524	104,638,196	107,282,914	101,705,508	114,264,671
Surplus/(Deficit)	\$(21,963,503)	\$(2,346,305)	\$(1,053,031)	\$3,488,475	\$2,657,553
Ending Available Balance	\$76,205,417	\$73,859,112	\$72,806,081	\$76,294,556	\$78,952,109

PUBLIC WORKS

The Public Works Department is responsible for the day to day operations and management of the Sewer, Refuse, and Public Parking operations.

SEWER

The Sewer Division is responsible for the collection and treatment of wastewater generated within the City and the communities of Edgmont, Highgrove, Jurupa, and Rubidoux. The City serves 93,000 customers within City limits alone. In order to do so, the Division provides these services through 800 miles of gravity lines, 19 lift stations and the Riverside Regional Water Quality Control Plant (RWQCP) that has the capacity to treat 46 million gallons of sewage a day.

In December 2017, the City Council rescinded the rate increase scheduled for the fifth year of the rate plan adopted in May 2014. As a result, revenues were projected to be flat with no rate increases in the Five Year Plan. Expenses were largely dominated by debt service obligations, which account for more than 40% of total fund expense. However, staff has worked diligently to refinance bonds to take advantage of the favorable interest rates in the current market environment. This will provide significant savings to the fund and allow more investment in infrastructure and stability in the rates.

Sewer Fund	FY 2018/19 Actual	FY 2019/20 Amended	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022-23 Projected
Beginning Available Balance	\$117,144,823	\$99,455,823	\$34,228,878	\$35,673,397	\$39,911,258
Revenues & Transfers In	70,206,037	68,439,438	69,145,633	69,823,146	70,422,614
Expenditures and Transfers Out	87,895,037	133,666,383	67,701,114	65,585,285	66,603,271
Surplus/(Deficit)	\$(17,689,000)	\$(65,226,945)	\$1,444,519	\$4,237,861	\$3,819,343
Ending Available Balance	\$99,455,823	\$34,228,878	\$35,673,397	\$39,911,258	\$43,730,601

ENTERPRISE FUNDS

REFUSE

The City is responsible for providing residential service for 2/3 of the City while the other 1/3 is serviced by a private hauler. In June 2019, rates were increased based on the Consumer Price Index. Discussions regarding operational strategies such as outsourcing have been ongoing over the past year. Public Works engaged a consultant to review the operations and financials to provide findings and recommendations for the City Council to consider.

Revenues were projected based on the number of accounts serviced, the potential growth as a result of development, the decline of recycling revenues, parking fine trends. Due to China's ban on certain waste import materials, income generated from the sale of recyclables was adjusted accordingly.

The primary influences on major expenditures categories are based on regulatory mandates such as the new organics management rules and the need for homeless cleanups and the replacement of heavy duty vehicles that have exceeded their life expectancy. Additionally, there are a variety of expenses that are subject to external factors that the City is unable to manage such as disposal and transfer costs at landfills, fuel, and pension costs.

Refuse Fund	FY 2018/19 Actual	FY 2019/20 Amended	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022-23 Projected
Beginning Available Balance	\$9,885,937	\$8,326,106	\$4,912,730	\$2,978,326	\$454,199
Revenues & Transfers In	23,425,617	25,441,965	25,485,715	25,530,996	25,577,862
Expenditures and Transfers Out	24,985,448	28,855,341	27,420,119	28,055,123	28,573,837
Surplus/(Deficit)	\$(1,559,831)	\$(3,413,376)	\$(1,934,404)	\$(2,524,127)	\$(2,995,975)
Ending Available Balance	\$8,326,106	\$4,912,730	\$2,978,326	\$454,199	\$(2,541,776)

PUBLIC PARKING

The City's parking lots and garages are managed in this fund. Some of the properties serve as collateral for debt obligations and others are being considered for private ownership for development or for efficiency. Nominal growth in this fund is forecasted. Expenses are mainly due to known contractual obligations for the management company that oversee the parking properties owned by the City. During the development of the FY 2018-2020 Budget, it was anticipated that one of the City's largest parking garages was to be sold for development. However, during the FY 2019-20 midcycle adjustment, that assumption was removed resulting in an increased revenue forecast

Challenges that will be addressed during the development of the next biennial budget include garages that are in dire need of equipment repairs and parking meters that need to be upgraded with payment technology to enhance revenue collection.

Parking Fund	FY 2018/19 Actual	FY 2019/20 Amended	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022-23 Projected
Beginning Available Balance	\$1,545,938	\$1,653,057	\$1,841,606	\$2,070,068	\$2,305,112
Revenues & Transfers In	6,020,422	7,013,811	7,153,877	7,296,744	7,442,471
Expenditures and Transfers Out	5,913,303	6,825,262	6,925,415	7,061,700	7,168,024
Surplus/(Deficit)	\$107,119	\$188,549	\$228,462	\$235,044	\$274,447
Ending Available Balance	\$1,653,057	\$1,841,606	\$2,070,068	\$2,305,112	\$2,579,559

CAPITAL IMPROVEMENT PROGRAM

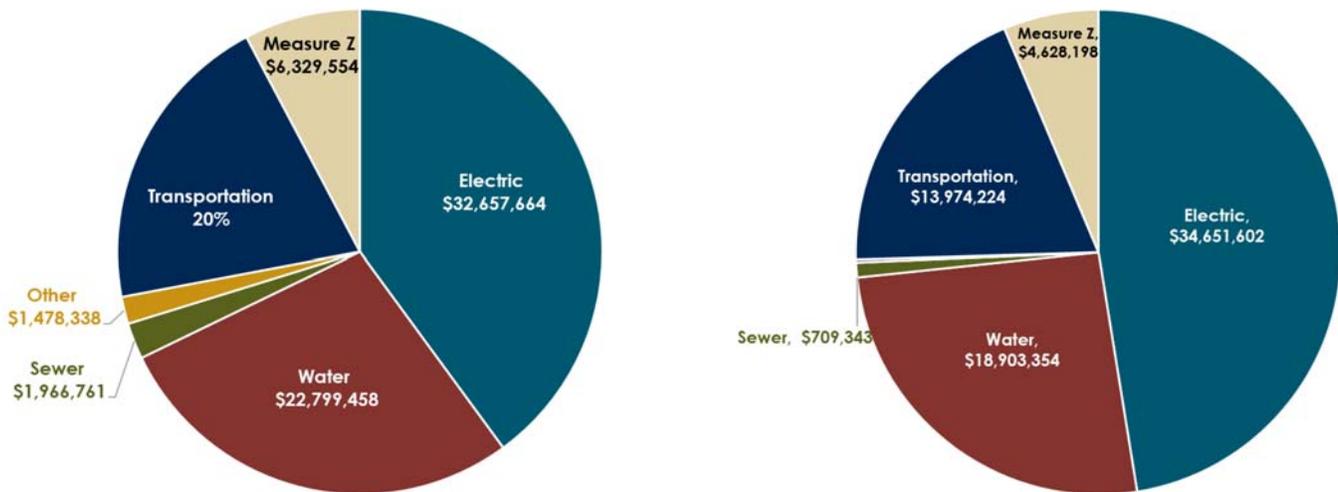
OVERVIEW

The Capital Improvement Program (CIP) is a separate five-year planning document that details planned capital expenditures. Projects range from road maintenance or construction to the renovation of municipal buildings, recreation centers and ball fields, to water main and sewer system replacements. The CIP relates these capital projects' needs to the financial sources that will support their realization and the timeframe in which both the financing and work will take place.

FINANCIAL SUMMARY

The Capital Improvement Program for FY 2018-2020 provides for \$81.8 million in FY 2018/19 and \$73 million in FY 2019/20. An additional \$253.7 million is planned for the remaining three out years of the five year program. There is approximately \$241.8 million in previously approved projects that are carried over in prior years.

Funding for CIP is provided by a variety of funding sources including development impact fees, transportation funds such as Gas Tax, grants including Community Development Block Grant (CDBG), reimbursement agreements, long-term financing from the issuance of bonds, and user charges and fee such as utility rates. Typically, these funds are restricted to capital expenditures and cannot be used for ongoing City operations. Currently, General Fund does not provide any resources to the CIP. The charts below show a breakdown of funding sources for the approved CIP.



Some key projects currently under construction include:

- Adams Street/State Route 91 Interchange Improvements
- BNSF/Third Street Grade Separation
- Downtown Main Library
- Advanced Metering Infrastructure
- Recycled Water (Jackson St. Phase 1)
- Seven Oaks Dam Conservation
- Data Network Replacement

Funding for the Capital Improvement Program for facilities and public infrastructure will continue to be a challenge for the City. The City should consider establishing capital reserve funds to ensure adequate and timely replacement and repair of public infrastructure.