



CITY OF RIVERSIDE, CALIFORNIA

BUDGET FACTS

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Rusty Bailey

City Council Members

Mike Gardner
Ward 1

Andy Melendrez
Ward 2

Mike Soubirous
Ward 3

Paul Davis
Ward 4

Chris Mac Arthur
Ward 5

Jim Perry
Ward 6

John Burnard
Ward 7

City Manager
John A. Russo

City Attorney
Gary Geuss

City Clerk
Colleen Nicol

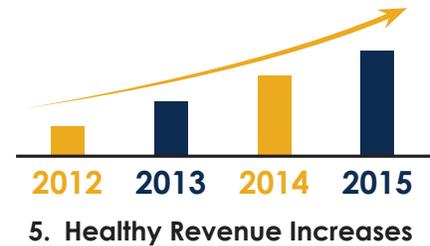


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Riverside, CA 92522

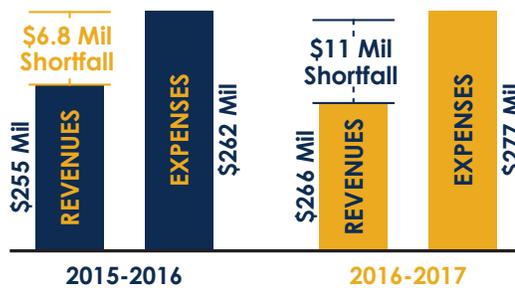
RiversideCA.gov
(951) 826-5311

Is the City in financial trouble?

ABSOLUTELY NOT! The City is in a better financial position than many other California cities as a direct result of the City Council's conservative fiscal management. Key indicators of the City's stability include:

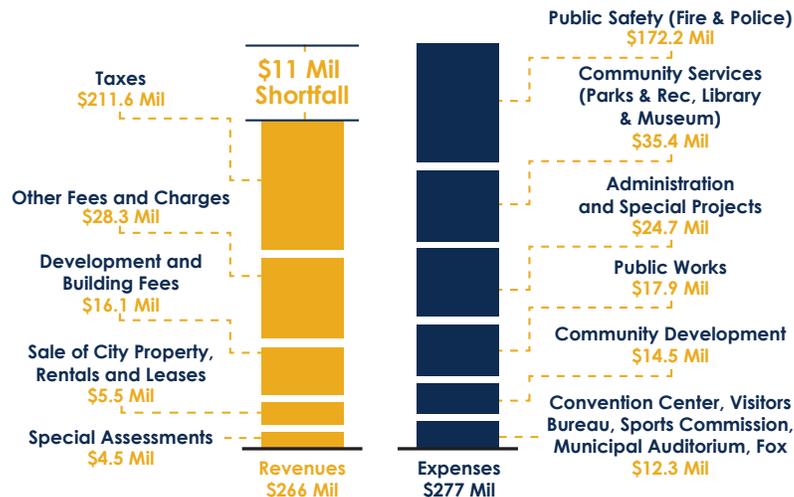


What exactly is the current state of City finances?



The City now projects a **\$6.8 million shortfall** for the **current fiscal year** (ending on June 30, 2016), and an **\$11 million shortfall** for **fiscal year 2016-2017**, which starts on July 1, 2016.

In a nutshell, what is the source of the problem?



While our **revenues grow** at a healthy rate, our **expenses continue to increase faster**.

Has there been any **malfeasance, misconduct, impropriety, etc.**?

No. The City's Executive Management, as well as internal and external auditors, have seen no indication that financial misconduct has caused the current shortfall. The City is subject to an annual financial audit by an independent firm. Copies of the City's audits, budget, and other financial documents can be found on the City's Finance Department webpage at RiversideCA.gov/Finance. In addition, the City is conducting internal audits and special financial and performance audits – none of which have found malfeasance, fraud or impropriety. These audits can be found at EngageRiverside.com.

Why is the City of Riverside **facing fiscal difficulties now**?

Riverside has enjoyed financial success in the past decade while surrounding communities have struggled to maintain even a basic level of government services. However, this success was partially due to budgeting practices that are no longer sustainable. Whether it was borrowing from other funds to prop up the city's General Fund, relying on one-time infusions of cash from property sales, or not filling some jobs throughout the year, Riverside has been able to delay the impact of its spending decisions for years. **But it can't use these practices any longer.**

Does this mean the City has been doing its **budget wrong all these years**?

There is nothing inherently wrong with the above practices, and they are certainly not illegal. Indeed, many cities employ some variation of such budgeting practices. **However, reliance on such practices is not sustainable over a long term**, and goes against principles of prudence and conservatism in municipal budgeting.

What is being done to **address the problem**?

The approach to solving this problem is much like dealing with a family's budget. If one member of the family earns less in a month than what was expected, that family may experience a deficit that month. As a result, the family may restrict its spending for a month or two before spending at a normal level again. This is what the City is doing, but on a larger scale and across two fiscal years.

The City's Executive Management is recommending to the City Council a balanced budget for the upcoming two years, i.e. fiscal years 2016-2017 and 2017-2018. To bring a balanced budget to the Council, like the family above, some cost cutting will be required.

Every City department has been asked to reduce their General Fund operational spending by 4% to address the entire \$11 million budget gap. Since the City is generally not able to raise revenues without voter approval, spending reductions are required.



City's General Fund Projected for FY 2016-2017

What is **changing** in the **City's budget process** this year?

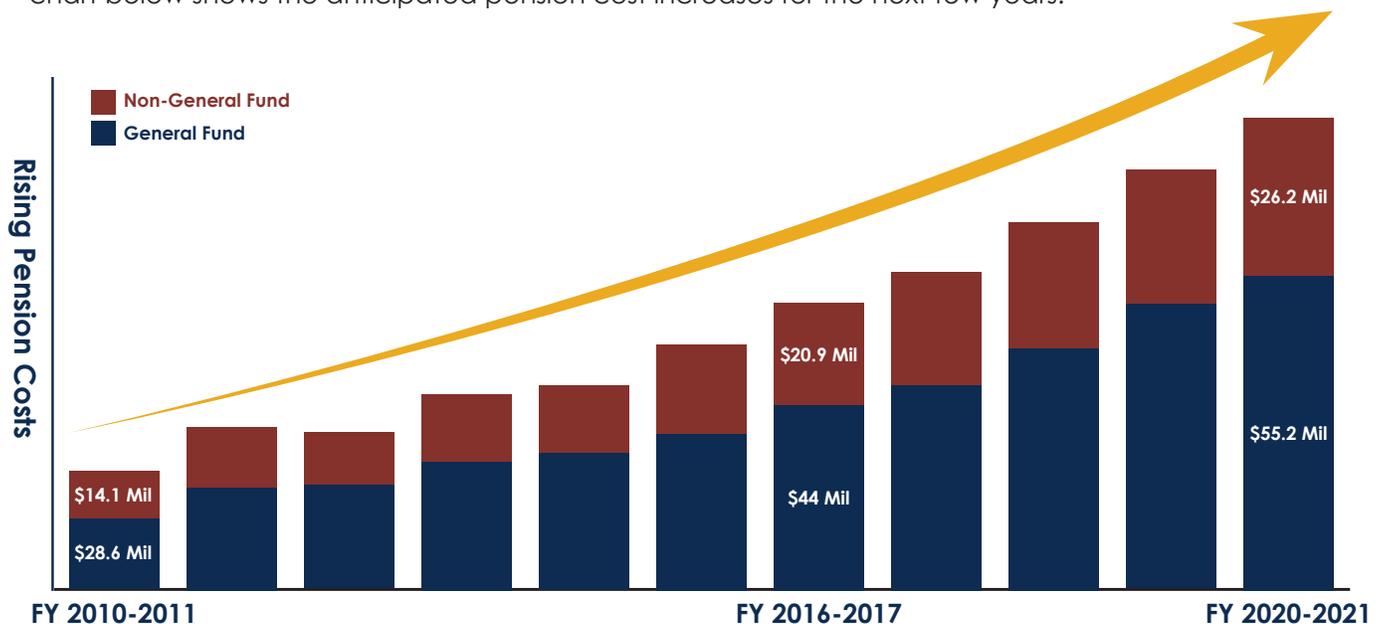
There is a much greater emphasis on long-term, advanced financial planning. The City's Executive Management has spent the last several months working intently to institute the kind of fiscal accuracy, accountability and discipline required to generate healthy and sustainable budgets well into the future.

Are there any **additional municipal revenue streams** that can be used to **balance the budget**?

During the development of the 2016-2018 Two-Year Budget, City staff have looked into ways of increasing municipal revenues. However, options available to the City are extremely limited, and mainly have to do with increases in fees and charges. More substantial revenue increases – such as Hotel and Sales Tax revenues – require voter approval.

What about **pension costs** and how does the **City plan to address these costs**?

The City of Riverside, similar to the majority of California communities, funds its employees' pensions through the California Public Employees Retirement Systems (CalPERS). The City's contribution amounts are set by CalPERS. These contributions are scheduled to increase over time, according to CalPERS. The chart below shows the anticipated pension cost increases for the next few years:



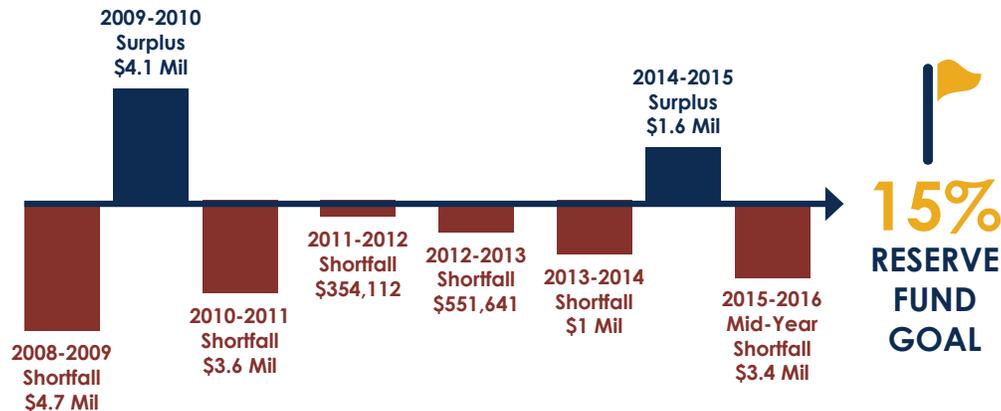
Increases in pension costs do not only affect the General Fund. Citywide costs are estimated to increase from \$64.9 million in FY 2016-2017 to \$81.40 million in FY 2020-2021.

Currently, pension costs account for 6.8% of all City funds and 16% of the City's General Fund spending. They are among the fastest growing expenses that the City has. The City is not able to shift its employees to the less expensive private sector-type 401K plans, and has limited abilities to require employees to pay more into their pensions. These changes generally require consent of the City's employee unions.

Currently, about 75% of City employees pay nothing towards the cost of their pension plans. Approximately 25% contribute 7-12%. This is because the City recently successfully implemented lower-cost pension levels for all new employees. More needs to be done, and the City is currently in discussions with all labor unions on how to address the pension issue in a collaborative manner.

Why are reserves important?

In six out of the last eight years, General Fund reserves were used to offset additional spending. Since at least 1995, the City has maintained a reserve for cash flow and economic contingencies in the General Fund. However, the City also has used its reserves to provide funds for needs identified after budget adoption in June. Best practices call for a general fund reserve of at least 15%. Currently, the City is at approximately 14%, or \$36 million. If the City were to use its reserves instead of making cuts to balance the budget, it would run out of money in three years.



How is the City reaching out to residents and employees, and how can I participate?

This year, the City started its budget development process early, in January 2016, with every City department developing and presenting budget proposals to executive management, followed by a Budget 101 presentation to the City Council in February. In March, eight community meetings were held throughout the City to both inform and solicit feedback from various stakeholders, including residents, businesses and employees. Additionally, a Budget 101 Community Report was published and has been posted online and distributed in print. Lastly, an ongoing dialogue on the budget is occurring through **EngageRiverside.com**.

ADDITIONAL OPPORTUNITIES FOR PUBLIC PARTICIPATION INCLUDE:

- May 10 - City Council:** Continued departmental presentations (General Services, Human Resources, Finance), along with Raincross Hospitality Corporation and Live Nation.
- May 17 - City Council:** Presentation of the City's Five-Year Capital Improvement Program (CIP).
- May 24 - City Council:** Financial status update for the current fiscal year, FY 2015-2016.
- May 31 - City Council:** Presentation of the proposed FY 2016-18 Two-Year Budget and Five-Year Plan.
- June 14 - City Council:** Public hearing on the FY 2016-18 Two-Year Budget.
- June 21 - City Council:** Consideration and adoption of the City's FY 2016-18 Budget and appropriations limit.
- June 28 - City Council:** If needed, continuance of City Council consideration and adoption of the City's FY 2016-18 Two-Year Budget and appropriations limit.

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