

# City Council Memorandum

*City of Arts & Innovation*

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**TO: HONORABLE MAYOR AND CITY COUNCIL**                      **DATE: JUNE 15, 2021**  
**FROM: FINANCE DEPARTMENT**                                      **WARDS: ALL**  
**SUBJECT: FISCAL YEAR 2020/21 THIRD QUARTER FINANCIAL UPDATE**

**ISSUE:**

Receive and provide input on the Fiscal Year 2020/21 Third Quarter Financial Update.

**RECOMMENDATION:**

That the City Council receive and provide input on the Fiscal Year 2020/21 Third Quarter financial update.

**BACKGROUND:**

On June 16, 2020, the City Council adopted Resolution No. 23592 approving the Fiscal Year (FY) 2020-2021 (Emergency) Annual Budget. The adopted budget was the product of a truncated budget process prompted by the COVID-19 pandemic and Orders that limited the City's ability to receive the usual level of engagement in the budget process. Further, the impacts of the COVID-19 pandemic on City finances were largely unknown at the time of budget adoption due to the ongoing shut-down Order and uncertainty at all levels of the economy. As a part of the adoption of the emergency budget, staff committed to the City Council and the public that interim reports and recommendations to the adopted budget would be made as needed. Throughout the fiscal year, the City's Chief Financial Officer has provided updates to the City Council via a standing item on the weekly agenda.

On October 27, 2020, the City Council received an interim financial update that reported on the preliminary results of fiscal year ending June 30, 2020, as well as economic developments observed since the adoption of the FY 2020/21 emergency budget.

On April 13, 2021, the City Council received the FY 2020/21 Second Quarter Financial Update.

**DISCUSSION:**

Throughout the fiscal year, City departments and the Budget Office monitor and analyze all City funds for potential issues that require attention and mitigating action. For the third quarter report, City departments analyzed the financial status for all funds and appropriations under their purview. City departments also evaluated the potential effect of COVID-19 on departmental finances to the

extent possible. This update spans the period of July 2020 through March 2021. The results of the City's major funds as well as areas of concern in other funds (if any) are reported in the Fiscal Update (Attachment 1). This update spans the period of July 2020 through March 2021.

### COVID-19 Fiscal Impact

On March 4, 2020, Governor Newsom declared a state of emergency in California as a result of COVID-19. On March 13, 2020, the City of Riverside declared a local emergency and closed non-essential facilities to the public. Temporary stay-at-home orders followed from the State and City in mid-March 2020 and were again reinstated in December 2020 for approximately seven weeks. Fortunately, the impact of the pandemic to the City's budget has not been as drastic as originally expected.

On March 11, 2021, President Biden signed the America Rescue Plan Act (ARPA) which provided additional relief to both individuals and businesses suffering from the impact of the pandemic. The City expects to receive one-time funding of approximately \$73 million from ARPA, subject to audit and validation that the funds are used for approved purposes as outlined in the ARPA and implementation guidelines issued by the United States Department of the Treasury (USDT). Funds may be used to offset revenue losses resulting from the pandemic as compared to FY 2018/19 actual revenues, as well as expenditures incurred as a result of the City's response to the pandemic.

Refer to the Fiscal Update (Attachment 1) for a discussion of current social and economic impacts of the pandemic on City finances, identified areas of fiscal risk, and third quarter results for the City's major funds (General Fund, Measure Z, Electric, Water, Refuse, and Sewer).

### General Fund

The third quarter analysis presents a positive FY 2020/21 outlook for the General Fund, with revenues performing better than anticipated and expenditures trending within budgeted appropriation limits.

**Adopted Budget:** The adopted FY 2020/21 Emergency Budget for the General Fund included a \$15.6 million balancing measure in the form of vacancy savings targets to offset a projected structural deficit. As a result of the pandemic, original revenue projections were reduced by 10% (\$28 million) to buffer against the potential impacts of the pandemic on City revenues. This presented a new gap in the proposed budget which was largely filled with the following balancing measures:

- Projected savings of \$7 million from the issuance of a Pension Obligation Bond (POB) (savings achieved in FY 2020/21).
- Maintain Measure Z support level to the General Fund commensurate with the FY 2019/20 support (reverted the \$6.5 million programmed FY 2020/21 reduction in Measure Z support).
- Allocate \$6 million of unspent funding from the Measure Z contingency spending line item to the General Fund.
- Planned withdrawal of \$6.2 million from the Section 115 Pension Trust to offset a portion of the required FY 2020/21 payment of the unfunded accrued liability (UAL).

**Revenues:** FY 2020/21 General Fund revenues recorded through March 2021 were reviewed in

context of FY 2019/20 actual results, performance to date, and potential COVID-19 impacts through the end of the fiscal year. Third quarter analysis reveals that total General Fund revenue projections may exceed emergency budget revenue estimates by \$10 million. Some revenue sources continue to be impacted by the shut-down or reduction in City services, but the adopted contingency revenue reduction and positive revenue performance in other areas appear sufficient to fully offset those revenue shortfalls. Additionally, CARES Act funding that was unexpended on planned items within the required timeframe was used to offset public safety personnel costs, adding approximately \$5.8 million of revenues to the General Fund. Rather than lose the funding due to spending time constraints, the unspent balance was used to offset public safety personnel costs which is a permitted expense under the CARES Act.

<b>General Fund Revenue Analysis</b>				
	<b>Pre-COVID Projection</b>	<b>Contingency Reduction</b>	<b>Adopted Budget</b>	<b>Quarter 3 Projection</b>
Property Taxes	\$72,300,744	\$(1,446,015)	\$70,854,729	\$72,585,000
Sales and Use Tax	69,463,869	(9,819,584)	59,644,285	71,591,000
Utility Users Tax	30,071,801	-	30,071,801	30,395,000
Charges for Services	16,489,733	(1,100,107)	15,389,626	11,850,000
Licenses & Permits	11,603,976	(2,924,978)	8,678,998	7,822,000
Transient Occupancy Tax	7,742,400	(5,032,560)	2,709,840	4,194,000
Other Revenues	12,688,641	-	12,688,641	12,162,000
Uncategorized Contingency Reduction	-	(7,754,870)	(7,754,870)	-
General Fund Transfer	48,685,700	-	48,685,700	46,871,000
Maintain Measure Z Support Level	11,734,277	-	18,266,026	18,266,000
Measure Z Contingency Funds <sup>1</sup>	-	-	6,000,000	-
Section 115 Trust Withdrawal <sup>1</sup>	-	-	6,165,501	-
CARES Act Funding	-	-	-	5,804,000
<b>Total Revenues and Transfers In</b>	<b>\$280,781,141</b>	<b>\$(28,078,114)</b>	<b>\$271,400,277</b>	<b>\$281,540,000</b>

<sup>1</sup>Depending on fiscal year-end results, staff may recommend not enacting these balancing measures.

**Expenditures:** As of the third quarter, personnel savings of at least \$5 million is projected, largely due to the closures (and therefore vacancies in temporary and part-time personnel) in Library and Parks & Recreation; vacancies occurring in the normal course of business; and the City Manager’s managed hiring initiative. Some savings will be offset by increased subsidies to the Convention Center and Entertainment Fund (both venues have remained closed through the pandemic). Additionally, capital project activity is less than expected due to the pandemic, causing less staff time than budgeted to be charged out to capital projects; as a result, the staff costs will remain in the General Fund and partially offset personnel savings.

<b>General Fund Expenditure Analysis</b>		
	<b>Adopted Budget</b>	<b>Quarter 3 Projection</b>
Personnel	\$215,732,216	\$195,100,000
CalPERS UAL <sup>2</sup>	29,883,988	11,067,000
Non-Personnel, Special Projects, Minor Capital	61,259,888	61,260,000
Debt Service <sup>2</sup>	18,645,440	30,204,000
Charges To/From	(43,176,378)	(41,877,000)
Fund Subsidies & Other Transfers	11,709,621	14,410,000
Balancing Measure – Vacancy Savings <sup>1</sup>	(15,654,498)	-
Balancing Measure – POB Savings <sup>1</sup>	(7,000,000)	-
<b>Total Expenditures and Transfers Out</b>	<b>\$271,400,277</b>	<b>\$270,164,000</b>

<sup>1</sup>Savings achieved through Balancing Measures are incorporated into projections for applicable line items (Personnel, CalPERS UAL, and Debt Service).

<sup>2</sup>Variance is a result of issuing the POB which was completed after budget adoption.

**Summary:** Due to better than expected revenue performance during the pandemic and support received from CARES Act funding, two balancing measures that were adopted in the emergency budget may not be required: the \$6 million use of Measure Z contingency funding and the \$6.2 million withdrawal of the Section 115 Pension Trust. Staff will return to City Council in the Fall with the fourth quarter results and a formal recommendation on these items. As currently projected, eliminating these two balancing measures from quarter three projections, the current third quarter analysis shows that the General Fund may realize an \$11.4 million net operating gain as compared to the adopted emergency budget in FY 2020/21.

The City’s executive team and staff have made a concerted effort to reduce spending to offset the impacts of the ongoing General Fund deficit and the effects of the pandemic. While these efforts have ensured that General Fund reserves remain intact to help address future fiscal challenges, the strain of reduced staffing levels and resources has a negative impact on departments’ ability to further the City Council’s strategic priorities and apply efforts toward continuous operational improvements. The implementation of Priority Based Budgeting (PBB) with the FY 2022-2024 two-year budget is expected to lay an evolving budget foundation to help staff and the City Council determine how best to align the City’s limited resources with the strategic plan and eliminate the ongoing structural deficit in the General Fund. Additionally, the following challenges and their potential impact on the General Fund are currently being addressed by City leadership:

- Expiring Memorandums of Understanding (MOU) with all of the City’s bargaining units; and
- Potential loss of the General Fund Transfer from the Electric fund and a monthly accrual of the ongoing liability of approximately \$2.6 million per month which occurs until the issue is resolved.

The potential impact of the American Rescue Plan Act on the General Fund is yet to be determined.

Measure Z

Measure Z is projected to end the fiscal year with approximately \$21.2 million in unallocated fund reserves. This is before the final determination of the \$6 million contingency balancing measure item in Measure Z incorporated into the general fund emergency budget. As previously noted, this item may not be necessary due to the better than anticipated general fund revenues results.

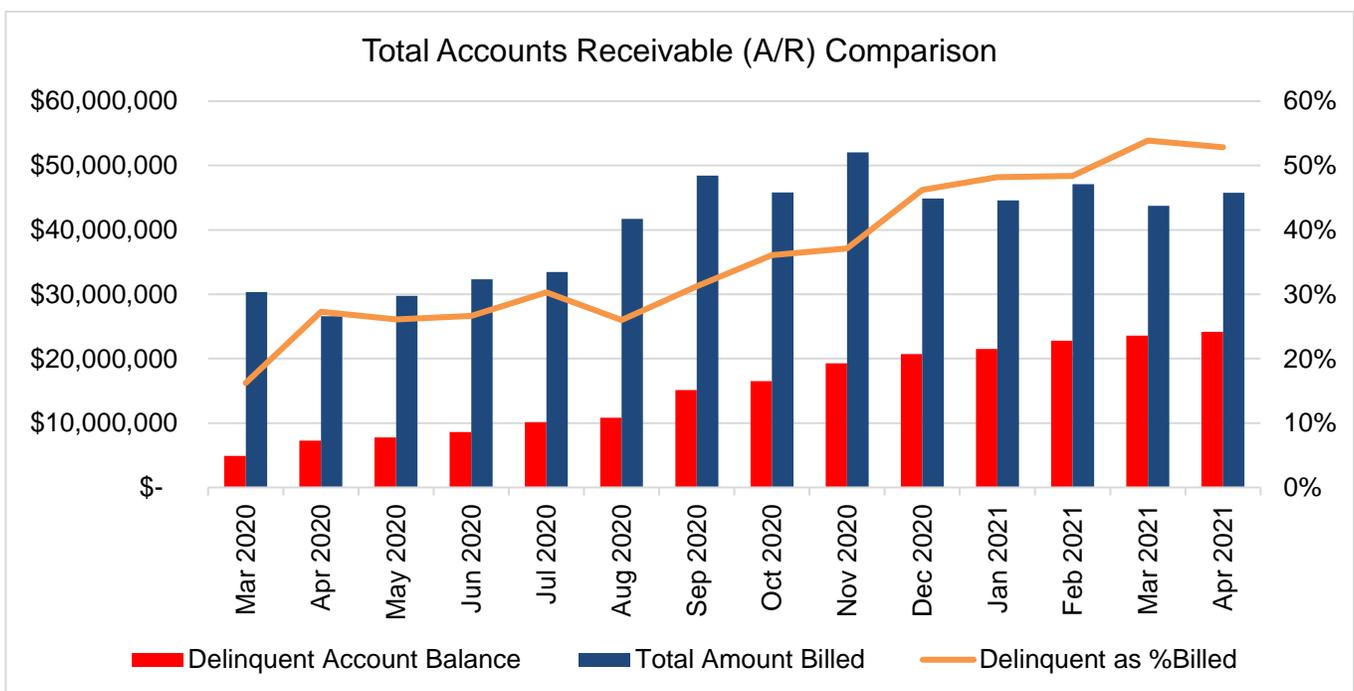
Should the \$6 million balancing measure item from Measure Z not be needed, the ending available fund balance in Measure Z will increase by this amount or projected at approximately \$27.2 million at year end. Separately, \$5 million is held in contingency reserves per the adopted Measure Z Reserve Policy to ensure sufficient funding for ongoing costs in the event of under-performing revenues.

**Revenues:** The FY 2020/21 emergency budget included a 10% contingency reduction for Measure Z revenues with the expectation of significant pandemic impacts on Transaction and Use Tax revenue. The pre-COVID revenue estimate was \$62.9 million; the revised revenue estimate based on performance to date and estimates from HdL, the City’s sales tax advisor, is approximately \$64.4 million, inclusive of interest earnings. The increase represents a 1.9% growth rate over FY 2019/20 revenues.

**Expenditures:** Measure Z funds include many projects and one-time expenditures, causing expenditures to appear to be trending behind budget. However, spending is progressing as planned and within appropriation limits. As of the third quarter, no additional spending measures had been approved during the fiscal year. The Measure Z Spending Contingency, adopted at \$6 million to provide support for General Fund revenue losses resulting from the pandemic, may not be required depending on final General Fund performance at fiscal year-end. Any unexpended amount would be returned to Measure Z unallocated fund reserves and could increase the projected ending unallocated fund reserves to a total of \$27.2 million.

Enterprise Funds Overview

The Sewer, Refuse, Electric, and Water funds have been similarly impacted by the suspension of utility shutoffs in response to the pandemic. The combined accounts receivable for the four utilities increased by 51% or \$15.4 million from \$30.3 million in March 2020 to \$45.7 million on April 27, 2021. During the same period, delinquent accounts receivable increased 391% or \$19.2 million from \$4.9 million in March 2020 to \$24.1 million on April 27, 2021. It is likely that a portion of these accounts will ultimately remain uncollectable and will have to be written off, reducing fund resources.



In March 2021, the City received a direct allocation of Emergency Rental Assistance (ERA) funding from the US Department of Treasury to assist eligible households with rental assistance and utilities to ensure housing stability. Some delinquent revenue is expected to be collected when the suspension of the utility shutoffs is lifted and assistance from the ERAP program is provided.

In March 2020, Riverside Public Utilities developed the Emergency Recovery Assistance Program (ERAP). This program was established in response to the COVID pandemic, providing a one-time \$400 bill credit (assistance) for residential utility customers whose incomes have been negatively impacted due to the pandemic. Consistent with its approval, this program will remain in operation until three months after the local emergency has been terminated. As of the preparation of this report, 4,699 customer accounts have benefitted from the ERAP program since May 20, 2020, with assistance totaling \$1,879,600.

### Sewer Fund

The overall financial position of the Sewer Enterprise fund is in line with the Sewer Fund Reserve Policy objectives. The FY 2020/21 adopted budget projects a net operating gain of \$7.6 million, which will help fund \$14 million of planned capital projects. Based on an analysis of Quarter 3 performance to date, the Sewer Fund is on track to meet projections.

**Revenues:** At the end of the third fiscal quarter, 71.8% of projected revenues have been recorded, although the number of delinquent accounts has risen during the pandemic. As of April 27, 2021, delinquent accounts in the Sewer Fund totaled approximately \$3.3 million, as compared to approximately \$713,500 in delinquent accounts in March 2020. Approximately \$3.0 million of delinquent accounts are in the residential category with 48% (\$1.46 million) more than four months past due. As per City Council direction, accounts for which payment is not being received are not being shut off, and services are continuing uninterrupted.

**Expenditures:** Operating expenditures are 72.8% of total budget at the end of the third quarter and are expected to remain within adopted appropriation limits through the fiscal year.

### Refuse Fund

The Refuse Enterprise fund was originally projected to end FY 2020/21 in a deficit of approximately \$1.4 million. However, the approval of the Solid Waste Rate Plan, which took effect on January 1, 2021, resulted in a \$2.3 million increase to revenue forecasts resulting in a projected surplus rather than the originally projected deficit. Unfortunately, revenues resulting from the rate increase are expected to be offset by increased recycling and disposal costs that are higher than anticipated, resulting in the fund likely ending the fiscal year near the original budgeted operating deficit of \$1.4 million. These challenges are expected to continue into FY 2021/22; however, with the adopted rate increases, staff projects that the fund will achieve financial stability in FY 2022/23.

**Revenues:** At the end of the third quarter, 75.6% of projected revenues have been recorded, although the number of delinquent accounts has risen during the pandemic. As of April 27, 2021, delinquent accounts in the Refuse Fund total approximately \$1.2 million as compared to approximately \$246,000 in delinquent accounts in March 2020, with 51% more than four months past due. As per City Council direction, accounts for which payment is not being received are not being shut off, and services are continuing uninterrupted.

**Expenditures:** Operating expenditures are 71.5% of total budget at the third quarter end. Changes in the recycling market have resulted in revenues no longer offsetting the cost of

processing, transportation, and residual disposal and have resulted in the implementation of new organics processing and recycling rates. Additionally, an increase in residential tonnage was an unanticipated effect of the pandemic and is likely attributed to more residents being quarantined in their homes. The combination of these issues is projected to cost an additional \$2.5 million at fiscal year-end, offsetting revenue gains from the rate increase.

### Electric Fund

The FY 2020/21 adopted budget for the Electric Fund includes a programmed \$16.3 million operating deficit and draw on fund reserves. This is a financial strategy employed to draw reserves down to keep rate increases as low as possible. Reserve levels as of the third quarter are within established policy levels. In March 2021, the Board of Public Utilities and City Council approved an increase to the Sharing Households Assist Riverside Program (SHARE) from \$150 to \$250 per year for low-income residential electric customers for the duration of the COVID-19 pandemic.

**Revenues:** As of the end of the third quarter, operating revenues are at 74.4% of budgeted projections. Mild temperatures in the third quarter and the impacts of the pandemic (higher residential and lower commercial consumption) are contributing to lagging retail sales. Electric retail sales revenues as of the third quarter end are \$4.8 million (1.9%) lower than anticipated, with approximately \$2.1 million of this amount attributable to the delay of the rate increase that was scheduled for January 2021. As of April 27, 2021, delinquent accounts in the Electric Fund total approximately \$17.3 million as compared to approximately \$3.4 million in delinquent accounts in March 2020; 68% are more than four months past due. Approximately 45% (\$7.7 million) of the current delinquent balance is in commercial accounts versus 55% (\$9.6 million) in residential accounts.

On January 5, 2021, the City Council voted to delay the scheduled electric rate increase to March 31, 2021. On March 23, 2021, the City Council directed staff to delay the implementation of the third year of the electric rate plan and referred it back to the Board of Public Utilities to develop an implementation plan. On April 19, 2021, the Board of Public Utilities unanimously voted to approve delaying the implementation of the third year of the Electric Rate Plan to no later than July 1, 2021, with an estimated electric fund revenue reduction of \$4.4 million to meet fiscal year 2021/2022 budget assumptions. The Board recommendation will be forwarded to the City Council for consideration.

**Expenditures:** Electric operating expenditures are 65.8% of total budget at the end of the third quarter. Personnel expenditures are trending very low due to vacancies and attrition; the fund has carried an average vacancy rate of 18.3% and 85.3 full-time equivalent positions during the fiscal year. Power supply costs are approximately 7% lower than projected, and other costs vary in their timing throughout the fiscal year. Overall, electric expenditures are projected to remain within the budgeted appropriation limit at fiscal year-end.

### Water Fund

The Water Fund is in a healthy position with reserve levels (including the available line of credit) within the required policy reserve range. Budgeted operating gains of \$7.1 million are anticipated to be used to fund capital projects in FY 2020/21, supplemented by a \$1.1 million draw on reserves and \$22.4 million of bond proceeds.

**Revenues:** As of the end of the third quarter, operating revenues are at 77.9% of budgeted projections. The pandemic has led to higher residential water usage and slightly lower than

anticipated commercial and industrial water usage. Retail sales are \$1.7 million (3.4%) higher than expected due to warmer than anticipated summer months and lower than expected precipitation. As of April 27, 2021, delinquent accounts in the Water Fund total approximately \$5.4 million as compared to approximately \$546,200 in delinquent accounts in March 2020; 54.5% are more than four months past due. Approximately 12% (\$278,000) of the current delinquent balance is in commercial accounts versus 88% (\$2.1 million) in residential accounts.

**Expenditures:** Water Fund expenditures are 67.4% of budget at the end of the third quarter. Personnel is trending slightly lower than anticipated due to vacancies and attrition; the fund has carried an average vacancy rate of 10% and 16.4 full-time equivalent positions during the fiscal year. Other expenditures vary in their timing throughout the fiscal year. Overall, water expenditures are projected to remain within the budgeted appropriation limit at fiscal year-end.

### **FISCAL IMPACT:**

As of the third quarter, the General Fund is anticipated to end the fiscal year with savings. Despite the positive outlook for the current fiscal year, the long-term financial health of the General Fund continues to be at risk due to an ongoing structural deficit and the potential loss of the Electric GFT. This will challenge the ability of City departments to maintain service levels as well as alignment with the City's strategic priorities. Measure Z revenues continue at a level sufficient to fund approved spending items as well as help manage General Fund fiscal challenges, should that become necessary. However, the success of the City of Riverside Services Protection Measure on an upcoming ballot will be critical to maintaining essential City services and alignment with the City's strategic plan.

The City's major enterprise funds are experiencing similar impacts resulting from the pandemic, with much higher delinquent account balances and lower commercial/industrial revenues. To date, these impacts have not affected the overall health of the funds, but the potential write-off of delinquent accounts will reduce fund resources and could impact credit ratings for certain utilities where applicable. The Refuse Fund is expected to post an operating loss in FY 2020/21 due to higher than anticipated recycling and disposal costs, but the adopted rate increase is expected to bring financial stability to the fund by FY 2022/23.

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Approved by: Moises Lopez, Deputy City Manager  
Approved as to form: Kristi J. Smith, Interim City Attorney

### Attachments:

1. Fiscal Update
2. Measure Z Spending Status
3. General Fund Transfer/Parada Litigation Press Release
4. Presentation

# CITY OF RIVERSIDE FISCAL UPDATE

Monitoring City of Riverside Finances and the Potential Fiscal Impacts of COVID-19



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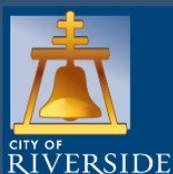
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Chief Financial Officer/City Treasurer  
Edward Enriquez

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## EXECUTIVE SUMMARY

One year after the declaration of a pandemic, staff at the City of Riverside continue to measure the effect of the pandemic on City resources and services. The City's commitment to innovation and customer service are demonstrated through its shift to virtual public meetings and expansion of online services to customers of the One Stop Shop. Online options ensured the safety and health of City staff and customers while introducing new efficiencies, saving time for both staff and customers.

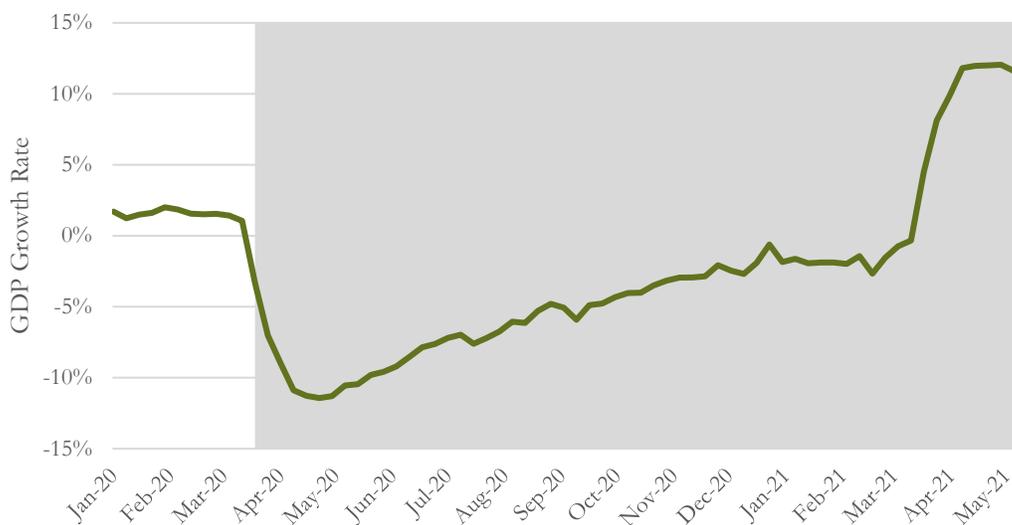
The impact on City finances has varied within City funds, with utility funds impacted by high delinquencies and other funds experiencing ongoing effects of the pandemic through reduced revenues. In the City's General Fund, ongoing revenue impacts in some categories have been largely offset by CARES Act funding and strong performance in sales tax revenue. Conversely, the City's Parking Fund, already operating on a narrow margin, continues to be significantly impacted by revenue losses due to the pandemic which will likely result in the need for a general fund subsidy should revenues not rebound soon.

As the City concludes development of the FY 2021/22 budget, ongoing challenges linger in the General Fund. The transition to Priority Based Budgeting will enable the City to strengthen its alignment of resources to the City Council's Envision Riverside 2025 strategic plan. However, the potential loss of the General Fund Transfer from the electric fund combined with the challenge of the ongoing structural deficit threatens the ability of the City to achieve this goal. The successful passage of a measure on an upcoming ballot will be critical to maintaining essential City services and alignment with the City's strategic plan.

# ECONOMIC INDICATORS

The New York Federal Reserve bank monitors ten economic indicators on a weekly basis in order to evaluate and track the overall health of the U.S. economy. These indicators provide a broad view of the economy, from employment to gasoline sales and federal tax withholding from employees' paychecks. The indicators are converted to the equivalent annual GDP growth rate. Typically, a fall in one of these indicators precedes a fall in another and together they paint a picture of the overall business environment of the United States. As the chart below shows, there was a large pickup in the economy when the large-scale vaccine rollout began over the course of March 2021.

## NY Fed Weekly Economic Index



## Weekly Economic Index Components (Indicators)

- Initial unemployment claims
- Continuing unemployment claims
- Federal Taxes Withheld
- Redbook Same-store sales
- Rasmussen Consumer Sentiment
- American Staffing Index
- Raw Steel Production
- U.S. railroad traffic
- U.S. fuel sales to end users
- U.S. electricity output

## INFLATION WATCH

**What?** Inflation is a measure of the purchasing power of the consumer as compared to the prior year.

**Why?** It is important to monitor the costs of fuel, food, clothing, housing and other areas to see how policy decisions affect the prices within the economy.

**Outlook:** Currently, by the broadest measures, there are upward price pressures (inflation) on many commodities within the general economy. Continued borrow and spending by the U.S. Government and Federal Reserve increases the likelihood of a continued upward march of pressures.

The April 2021 reading of the broadest consumer measure of inflation, the Consumer Price Index, was an annual increase of 4.6%, the highest in more than five years.

## US Inflation Rate

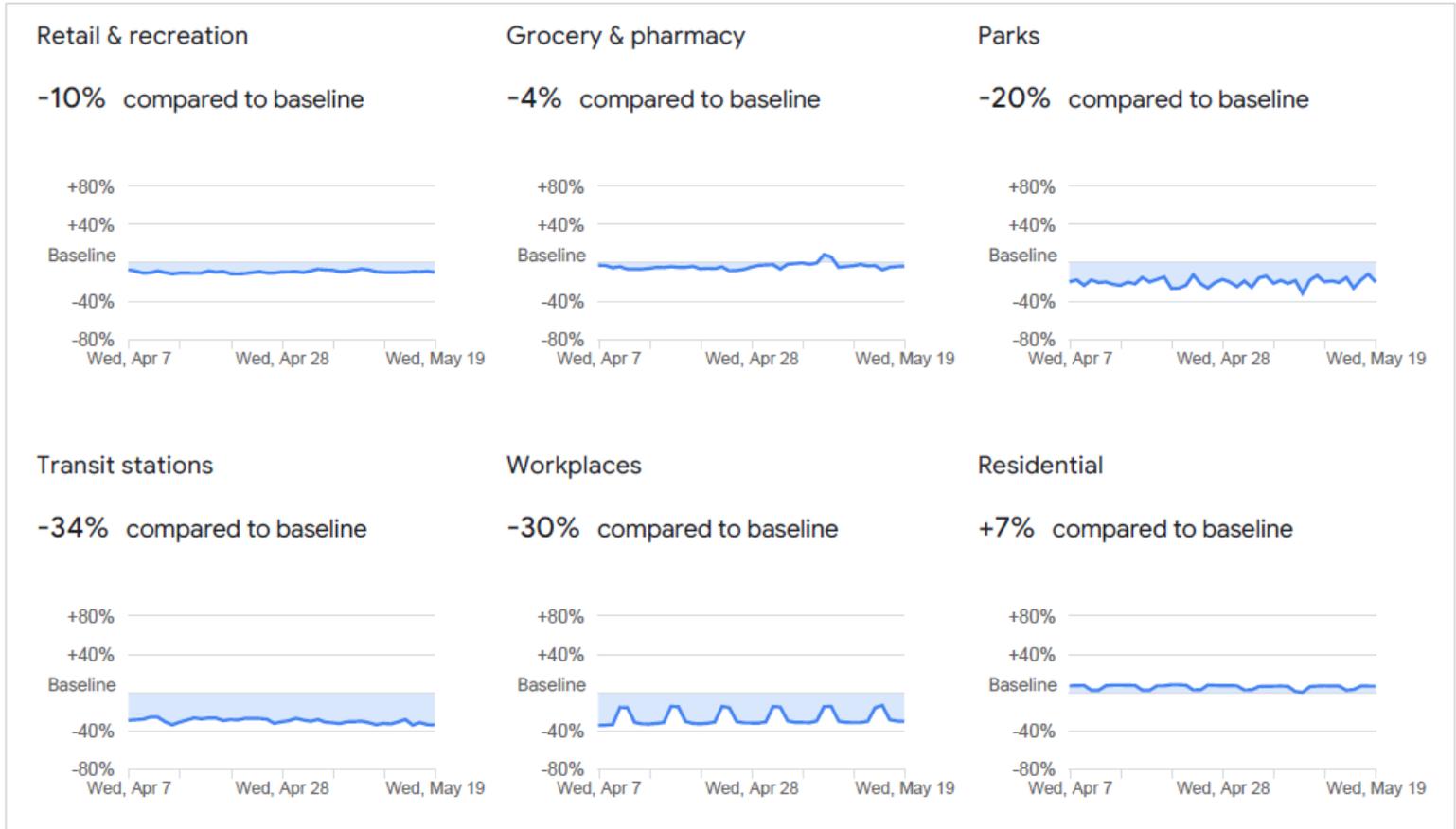
4.16% for Apr 2021



# ECONOMIC INDICATORS

## Then and Now in Riverside County – Community Mobility Reports by Google

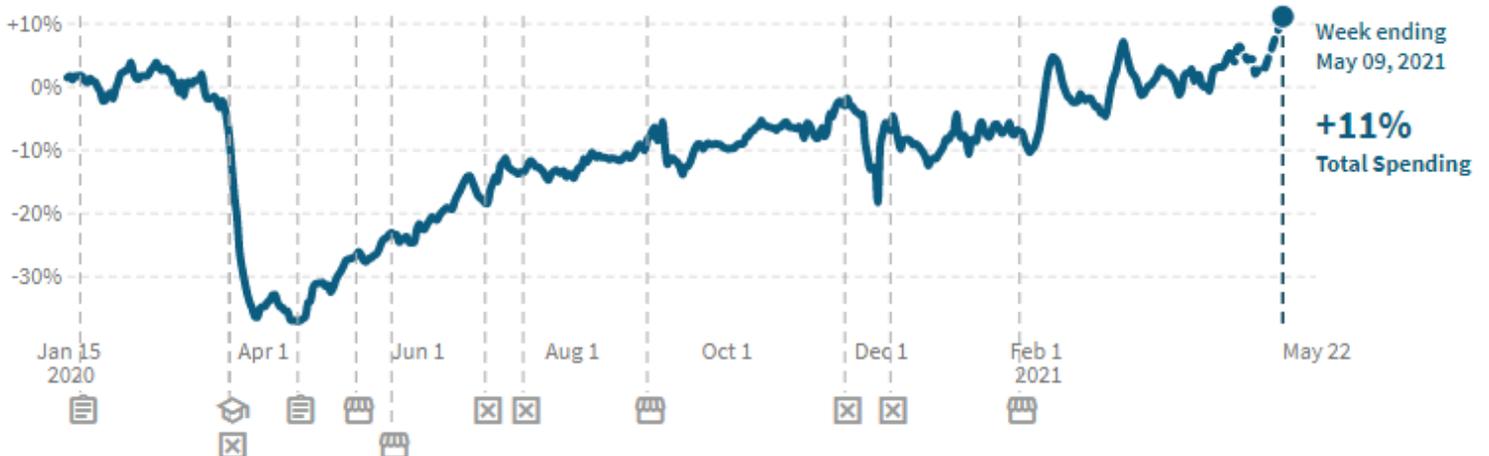
Google compiled the following data using aggregated, anonymized insights in such products as Google Maps to gauge how communities are moving differently due to COVID-19. The baseline is the median value for the corresponding day of the week during the 5-week period of January 3 through February 6, 2020. Visit <https://www.google.com/covid19/mobility/> for more information. This data helps us to further understand the impact of the pandemic on different sectors of our economy through relationships to other data, such as sales tax revenue by economic sector or unemployment data. The following mobility report is dated May 19, 2021.



## Percent Change in All Consumer Spending

Source: *TrackTheRecovery.org*

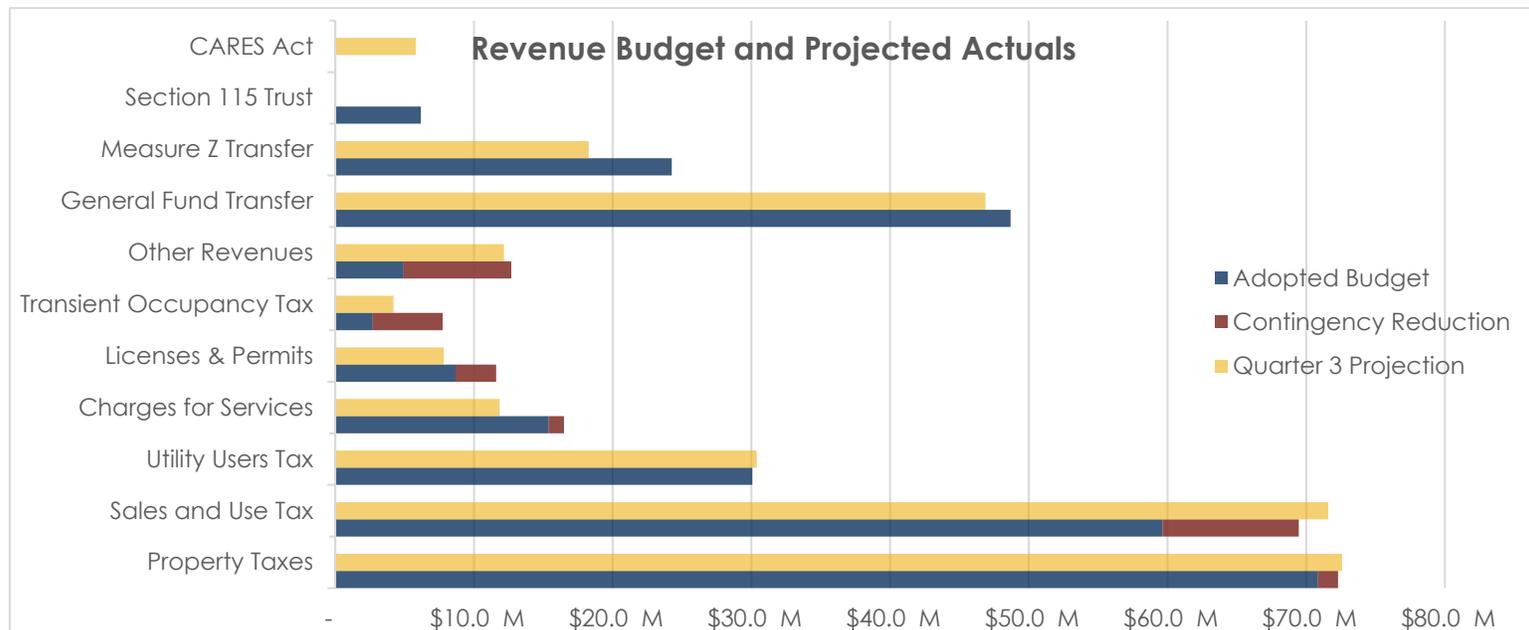
In **California**, as of May 09 2021, total spending by all consumers increased by **11%** compared to January 2020.



# GENERAL FUND REVENUE

As of the third quarter ending March 31, 2021, total General Fund revenues are expected to exceed the budgeted revenue estimates by approximately \$10 million. The City Council's decision to maintain annual General Fund support from Measure Z at the FY 2019/20 level has played a critical role in maintaining General Fund revenue levels. While some revenues are still significantly impacted by the pandemic, strong performance in other categories are helping to offset those shortfalls, in addition to unanticipated CARES Act funding of \$5.8 million for public safety costs. As a result, two adopted balancing measures, the \$6 million use of Measure Z contingency funding and the \$6.2 million withdrawal of the Section 115 Pension Trust may not be required. Staff will return to City Council in the Fall with the fourth quarter results and a formal recommendation on these items.

The chart below shows the adopted budget and contingency revenue reductions, the total of which represents the pre-pandemic revenue estimate. The yellow bar represents third quarter projections of fiscal year revenues based on performance to date and other sources.

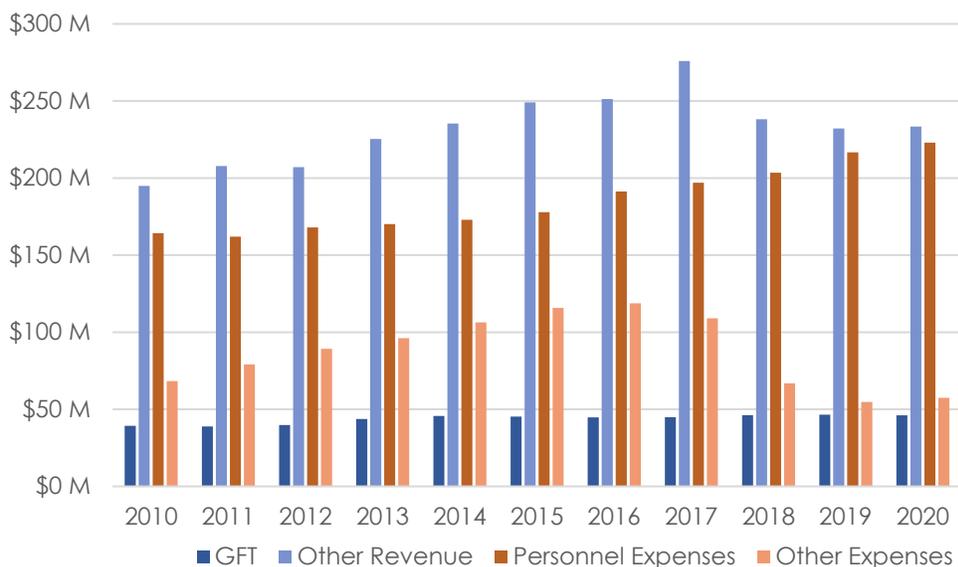


## General Fund Transfer

On May 18, 2021, the City announced a settlement agreement in Parada v. City of Riverside. As planned, the City will proceed with placing the City of Riverside Services Protection Measure on an upcoming ballot. This Measure allows voters to consider whether to affirm the long standing utility fund budget transfer that maintains reliable local funding for essential City services such as firefighting, paramedics, police, street repair, homelessness services, parks, and senior and youth services, and to continue to fund this transfer through electric rate revenue.

Should voters reaffirm the General Fund transfer from the electric utility by passing the Measure, the City will then, consistent with this mutually-agreed-upon settlement, also issue utility credits over a five-year period to local utility ratepayers.

## GFT vs. All Other Revenue Personnel Expense vs. All Other Expense

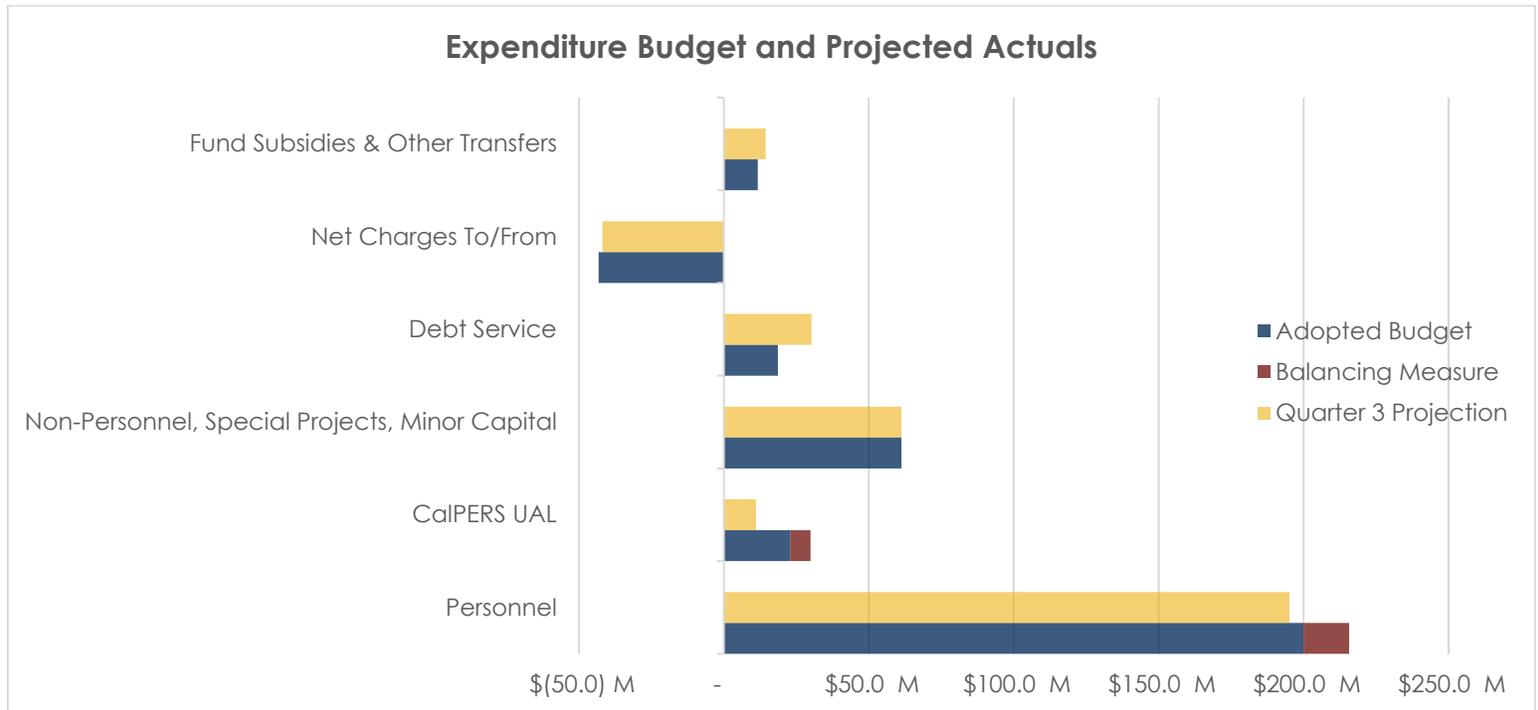


As of 2020, personnel expenses are 80% of General Fund costs, forcing a reduction in non-personnel costs such as materials, supplies, deferred maintenance, and vehicle replacement. Non-GFT revenues exceed personnel costs by only 4.7%.

# GENERAL FUND EXPENDITURES

The adopted General Fund expenditure budget included two balancing measures: vacancy savings targets of approximately \$15.6 million and projected savings from the issuance of a Pension Obligation Bond. With the closure of Parks and Recreation and the Library during the pandemic as well as the City Manager's managed hiring initiative, additional personnel savings of approximately \$5 million is anticipated by fiscal year end. Fund subsidies are projected to require an additional \$2.7 million over the amount budgeted due to the continuing closure of the convention center and entertainment venues.

The chart below shows the adopted budget and balancing measure reductions. The yellow bar represents third quarter projections of fiscal year expenditures. CalPERS and Debt Service variances are due to the issuance of a Pension Obligation Bond; the issuance shifted costs between the two categories while achieving net savings of \$7 million, as budgeted.



## Vacancy Factor Balancing Measure

The pandemic preempted public discussions on strategies to address a structural deficit and shifted the focus to addressing potential revenue shortfalls resulting from the pandemic. As a result, and due in part to a temporary recruitment suspension prompted by the pandemic, staff recommended the adoption of vacancy savings targets for all General Fund departments equal to existing vacancies. Vacancy rates ranged from 0% to 22% with disproportionate effects on departments. Savings in some larger departments such as public safety were able to be achieved through naturally occurring vacancies and attrition, allowing hiring to continue.

### General Fund Vacancy Savings Targets

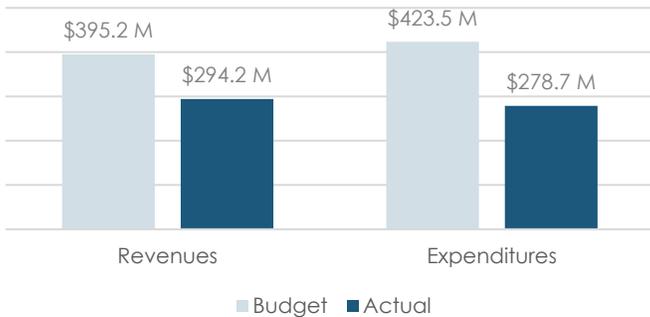
City Department	Workforce FTE	Vacant on March 13, 2020	% Unfunded	Adopted FY 2020/21
01 - Mayor	7.25	1.00	13.8%	\$ 105,864
02 - City Council	14.00	-	-	-
11 - City Manager	30.55	5.00	16.4%	646,414
12 - City Clerk	10.00	-	-	-
13 - City Attorney's Office	34.00	2.50	7.4%	302,349
21 - Human Resources	30.00	2.00	6.7%	158,331
22 - General Services	30.00	3.00	10.0%	222,649
23 - Finance	55.00	12.00	21.8%	1,184,789
24 - Innovation & Technology	59.25	8.00	13.5%	1,094,486
28 - Community & Economic Development	106.25	21.00	19.8%	2,272,556
31 - Police	506.00	35.00	6.9%	4,260,438
35 - Fire	234.00	14.00	6.0%	1,928,713
41 - Public Works	134.00	16.00	11.9%	1,559,811
51 - Library	60.00	8.00	13.3%	757,995
52 - Parks, Recreation & Community Services	152.85	9.00	5.9%	857,662
53 - Museum	13.50	3.00	22.2%	302,441
<b>Total Budgeted FTE</b>	<b>1,476.65</b>	<b>139.50</b>	<b>9.4%</b>	<b>\$ 15,654,498</b>

# ENTERPRISE FUNDS

## Electric Fund

At the end of the third quarter, retail sales are 1.9% lower than budget due to lower than anticipated consumption and a delay in the rate increase originally scheduled for January 2021. On March 23, 2021, the City Council voted to delay the rate increase and refer it back to the RPU Board for an implementation plan. On April 19, 2021, the RPU Board recommended delaying the rate increase no later than July 1, 2021. The estimated impact of the action is a \$4.4 million reduction in electric revenues through fiscal year end. Expenditures are trending under budget due to personnel vacancies, lower than expected power supply costs, and the timing of operating expenses.

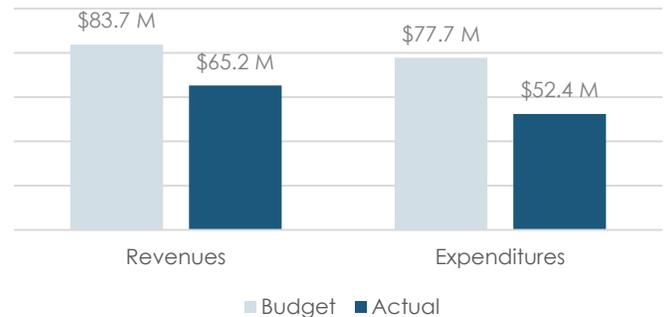
### Budget to Actual



## Water Fund

The pandemic has led to an increase in residential water usage and a decrease in commercial/industrial water usage. Overall, water fund revenues are 3.4% higher than expected due to higher than anticipated consumption. Current year retail sales are \$5.9 million (12.3%) higher than the prior year, in part due to a rate increase. Expenditures are trending under budget due to personnel vacancies and the timing of operating expenses. Budgeted operating gains of \$7.1 million are anticipated to be used to fund capital projects in FY 2020/21, supplemented by a \$1.1 million draw on reserves and \$22.4 million of bond proceeds.

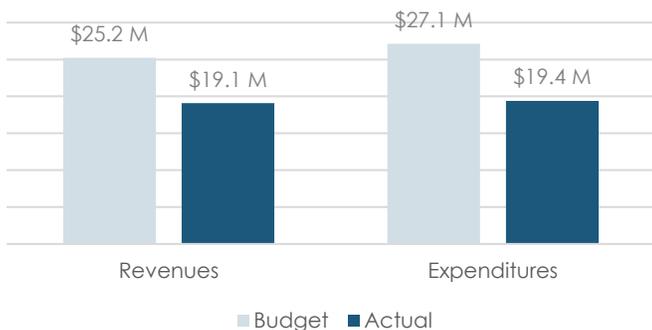
### Budget to Actual



## Refuse Fund

The Refuse Fund adopted budget does not include the rate increases approved by the City Council in September 2020 and effective January 2021. The rate increases are expected to improve the overall health of the fund, which had been operating at a deficit for some time. However, unanticipated increases in recycling and disposal costs are higher than anticipated and will likely result in the funds ending the fiscal year at or near the budgeted operating deficit of \$1.4 million. With adopted rate increases, staff projects the fund will achieve an operating gain by FY 2022/23.

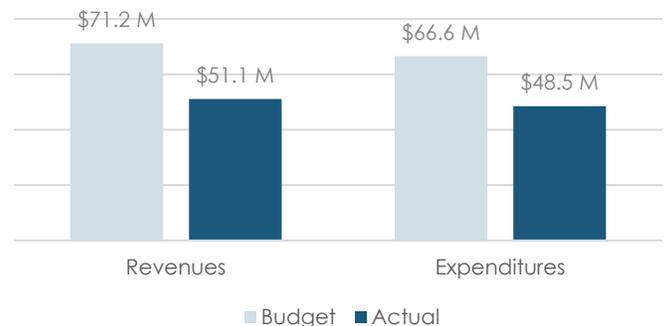
### Budget to Actual



## Sewer Fund

The Sewer Fund is operating in line with the Sewer Fund Reserve Policy objectives. The FY 2020/21 adopted budget projects a net operating gain of \$7.6 million; the Sewer Fund is on track to meet projections, with projected expenditure savings offsetting projected revenue shortfalls. As per City Council direction, accounts for which payment is not being received are not being shut off, and services are continuing uninterrupted.

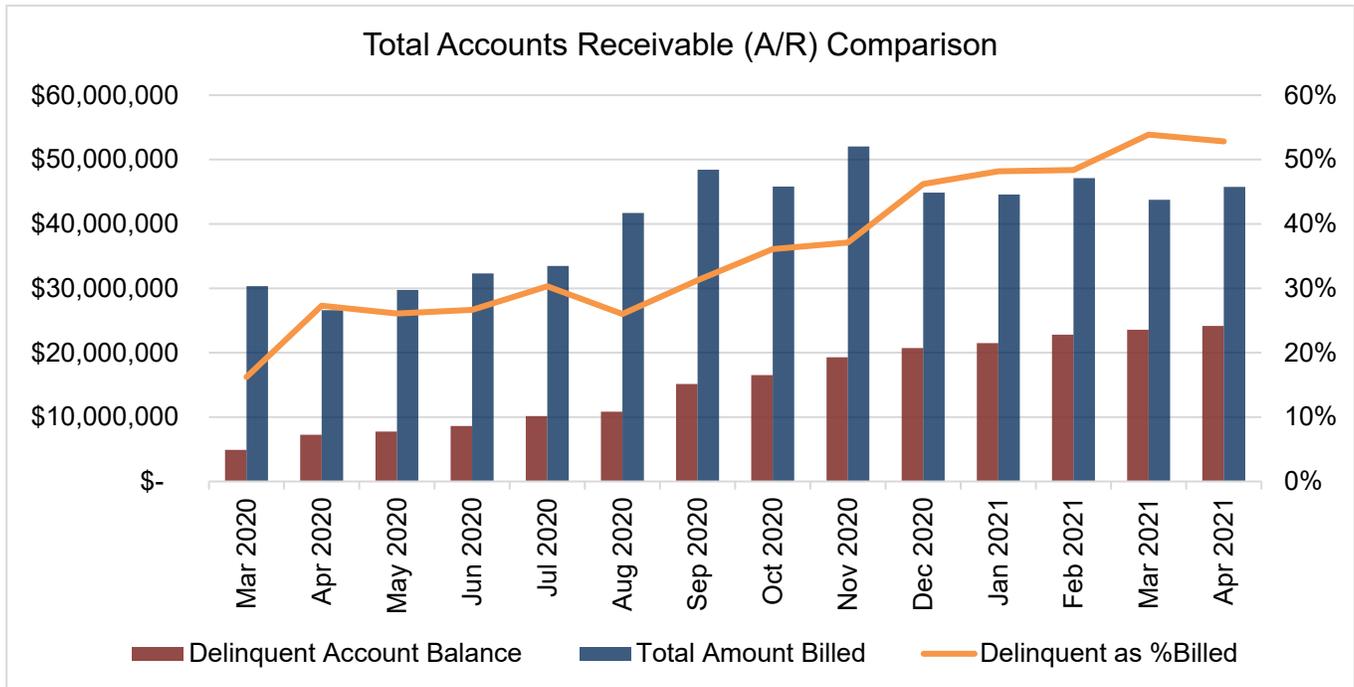
### Budget to Actual



**Account delinquencies are placing pressure on all utility funds...refer to page 7 for more information.**

# OTHER FUNDS

The Sewer, Refuse, Electric, and Water funds have been similarly impacted by the suspension of utility shutoffs in response to the pandemic. The combined accounts receivable for the four utilities increased by 51% or \$15.4 million from \$30.3 million in March 2020 to \$45.7 million on April 27, 2021. During the same period, delinquent accounts receivable increased 391% or \$19.2 million from \$4.9 million in March 2020 to \$24.1 million on April 27, 2021. It is likely that a portion of these accounts will ultimately remain uncollectable and will have to be written off, reducing fund resources.



## Measure Z

As of the end of the third quarter, the Measure Z fund is projected to end the fiscal year with approximately \$21.2 million in unallocated fund reserves. An additional \$5 million in policy reserves is held separately.

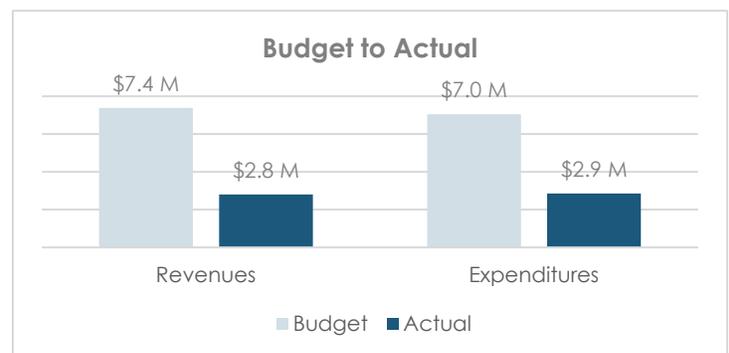
The revenue budget includes a 10% contingency revenue reduction; however, total sales and use tax revenue appear unaffected by the pandemic. The pre-pandemic revenue estimate was \$62.9 million; the revenue estimate as of the third quarter is \$64.4 million, inclusive of interest earnings.

Programmed spending in the table below includes a \$28.2 million carryover of prior year unexpended funds. These are funds committed for multi-year projects where the spending occurs unevenly over a period of time. As of March 31, 2021, \$41.1 million has been expended as compared to \$39.9 million revenue received.

	Budget	Actual	Balance
Revenue	\$56.2 M	\$39.9 M	\$16.3 M
Programmed Spending	95.8 M	41.1 M	54.7 M
<b>Change in Reserves</b>	<b>\$(39.6) M</b>	<b>\$(1.2) M</b>	

## Public Parking Fund

Parking revenues have declined during the initial stay-at-home order, have remained lower than projected during the slow reopening process, and will likely continue to underperform in the near future. The Public Parking Fund is currently operating at a deficit and capital projects have been put on hold in order to keep the fund from requiring a General Fund subsidy until operations return to sustainable levels. Current operations remain a challenge, as forecasts for revenue remain low and additional overcapacity and maintenance require additional capital for which the Public Parking Fund cannot provide.



# OTHER FINANCIAL NEWS

## FY 2021/22 Budget Development

The City is currently developing the FY 2021/22 annual budget. Public engagement is encouraged at the numerous meetings during which budget presentations and discussion will be conducted and feedback will be received. The final budget will be presented at two meetings, with a public hearing at the City Council meeting. Public engagement is encouraged.

Date	Time	Meeting Body	Subject Matter
June 10	5:00 PM	Budget Engagement Commission	FY 2021-2022 Final Budget
June 22	6:15 PM	City Council – Evening Session	Public Hearing and Adoption of the FY 2021-2022 Annual Budget

### What's Next?

Following adoption of the FY 2021/22 budget, the budget will be uploaded to the City's online budget portal at <https://riverside.openbook.questica.com>. Compilation of the formal budget publications will follow; the publications will be loaded to the City website in September at <https://riversideca.gov/finance/budget.asp>. The publications will also be printed and made available to the public at the City Clerk's Office in City Hall and at each of the City's libraries throughout the City.

## American Rescue Plan Act (ARPA)

On March 11, 2021, President Biden signed the third stimulus bill which provided additional relief to both individuals and businesses suffering from the impact of the pandemic. The City of Riverside is expected to receive approximately \$73 million in one-time restricted funds, subject to audit and validation that the funds are used for approved purposes under the American Rescue Plan Act. In conjunction with the City Council, staff will identify opportunities to alleviate some of the fiscal impacts of the pandemic that have occurred to date.

On May 10, 2021, the U.S. Department of the Treasury (USDOT) released guidance on the use of ARPA's local fiscal recovery funds. The City will receive funding in two disbursements, with 50% in May 2021 and the balance approximately one year later.

### Eligible Uses:

- Support the public health response
  - Services and programs to contain and mitigate the spread of COVID-19
  - Services to address behavioral healthcare needs exacerbated by the pandemic
  - Payroll and covered benefits expenses
- Addressing the negative economic impacts caused by the public health emergency
  - Delivering assistance to workers and families
  - Supporting small businesses
  - Speeding the recovery of the tourism, travel, and hospitality sectors
  - Rebuilding public sector capacity
- Serving the hardest-hit communities and families
  - Addressing health disparities and the social determinants of health
  - Investments in housing and neighborhoods
  - Addressing educational disparities
  - Promoting healthy childhood environments
- Providing premium pay for essential workers
- Replacing lost public sector revenue, computed one of two ways:
  - The recipient's average annual revenue growth over the three full fiscal years prior to the public health emergency
  - 4.1%, the national average state and local revenue growth rate from 2015-18
- Investing in water and sewer infrastructure
- Investing in broadband infrastructure

### Ineligible Uses:

- Offsetting any revenue losses resulting from a reduction in the tax rate
- Infrastructure outside of water, sewer and broadband investments
- Deposits to pension funds
- Funding debt service
- Funding legal settlements or judgments
- Deposits to financial reserves or rainy date funds

For more detailed information, visit USDOT for guidance documents: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>

**Measure Z**  
**FY 2020/21 Quarter 3 Financial Update**

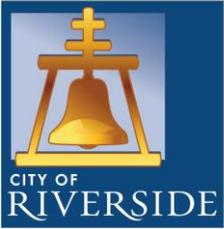
Spending Item	Total Budget	FY 2020/21 Expenditure
<b>Financial Discipline/ Responsibility</b>		
2 Payoff of the Balloon \$32 million Pension Obligation Bond	\$ 1,674,500	\$ 1,255,875
4 Measure Z Spending Contingency	6,000,000	4,500,000
<b>Total Financial Discipline/ Responsibility</b>	<b>\$ 7,674,500</b>	<b>\$ 5,755,875</b>
<b>Public Safety</b>		
5 Additional Sworn Police Positions	\$ 10,598,698	\$ 7,181,473
6 Public Safety Non-Sworn Positions and Recruitment Costs	1,087,572	643,470
7 Police Officer Lateral Hire Incentives and Recruitment Costs	200,000	300
8 Additional Dispatchers	862,212	451,670
9 Reinstatement of Fire Squad	1,392,682	959,300
10 Reinstatement of Captains (Training and Arson)	590,104	368,787
11 Reinstatement of Battalion Chief	387,293	504,306
12 Revised PD Vehicle Replacement and Maintenance Plan	3,433,722	418,347
14 Revised Fire Vehicle Replacement and Maintenance Plan	4,380,828	2,079,510
16 Additional Fleet Mechanics for Police Department (2)	219,427	158,634
17 Additional Fleet Mechanics for Fire Department (2)	240,750	171,212
34 4-Person Staffing on Fire Trucks	1,382,796	976,312
35 Fire Equipment and One-Time Operating Needs	125,508	64,200
36 Contingency - Fire Radios	19,679	-
38 Bourns Youth Innovation Center Furniture, Fixtures & Equip.	416,039	27,633
40 Library Security Guards	419,971	105,248
<b>Total Public Safety</b>	<b>\$ 25,757,281</b>	<b>\$ 14,110,402</b>
<b>Critical Operating Needs</b>		
18 Funding Gap - Existing Services	\$ 18,266,026	\$ 13,699,518
19 General Plan Update	4,957,056	69,799
20 Homeless Services	1,235,402	(86,219) (1)
21 Principal Analyst - City Manager's Office	170,346	120,806
22 Budget Engagement Commission Support	32,730	17,078
<b>Total Critical Operating Needs</b>	<b>\$ 24,661,560</b>	<b>\$ 13,820,982</b>
<b>Facility Capital Needs</b>		
23 New Downtown Main Library and Archives	\$ 2,755,580	\$ (1,131,894) (2)
24 Eastside Library Site Selection	100,000	-
25 New Police Headquarters	69,559	43,556
26 Museum Expansion and Rehab	10,167	175
28 Annual Deferred Maintenance	1,404,407	184,130
42 Fire Station Dormitory Improvements	99,573	80,911
<b>Total Facility Capital Needs</b>	<b>\$ 4,439,286</b>	<b>\$ (823,122)</b>
<b>Quality of Life</b>		
29 Maximize Roads/Streets (Pavement Condition Index)	\$ 20,204,180	\$ 3,466,784
30 Tree Trimming	1,000,000	319,770
31 Ward Action Team - City Attorney's Office	305,403	220,365
39 Public Safety and Engagement Team (PSET)	5,002,614	793,447
41 Homeless Shelters	58,763	5,470
<b>Total Quality of Life</b>	<b>\$ 26,570,960</b>	<b>\$ 4,805,836</b>

**Measure Z**  
**FY 2020/21 Quarter 2 Financial Update**

Spending Item	Total Budget	FY 2020/21 Expenditure
<b>Technology</b>		-
33 Technology Improvements	\$ 6,774,834	\$ 3,438,219
<b>Total Technology</b>	<b>\$ 6,774,834</b>	<b>\$ 3,438,219</b>
<b>Totals</b>	<b>\$ 95,878,421</b>	<b>\$ 41,108,192</b>

(1) The negative amount is a result of expenditures being recorded as an expense in the prior fiscal year for accounting purposes (accruals).

(2) Some expenditures recorded in the spending plan as a use of cash in prior fiscal years were reimbursed by debt proceeds and are therefore credited back to the spending plan.



City of Arts & Innovation

# News Release

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**FOR IMMEDIATE RELEASE:**

May 19, 2021

**Contact:**

Phil Pitchford  
Public Information Officer  
951-826-5975  
[ppitchford@riversideca.gov](mailto:ppitchford@riversideca.gov)

**Joint Statement from the City of Riverside and Parada Plaintiffs**

*Settlement Reached on Behalf of Riverside Taxpayers*

RIVERSIDE, Calif. – The City of Riverside is pleased to announce a settlement in the matter of Parada v. City of Riverside.

The terms of the settlement as summarized below protect the best interests of Riverside taxpayers and honor the shared commitment of the parties to public transparency and voter approval.

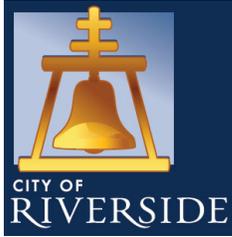
As planned, the City will proceed with placing the City of Riverside Services Protection Measure on an upcoming ballot. This Measure allows voters to consider whether to authorize a utility fund budget transfer that maintains reliable local funding for essential City services such as firefighting, paramedics, police, street repair, homelessness services, parks, and senior and youth services, and to continue to fund this transfer through electric rate revenue.

Should voters authorize these current city budget and electric rate-setting practices by passing the Measure, the City will then, consistent with this mutually-agreed-upon settlement, also issue utility credits over a five-year period to local utility ratepayers.

This settlement, reached with the assistance of a mediator, allows the parties to avoid unnecessary taxpayer litigation expenses and a lengthy appeal, while prioritizing the desire of both parties to honor voters' say and to support local residents and businesses through our local COVID recovery. The City has already delayed a scheduled rate increase through this COVID period.

“During these difficult times, our residents want to hear that all parts of our community are working together on the dynamic solutions that put Riverside’s businesses and residents first,” Mayor Patricia Lock Dawson said. “I couldn’t be more thrilled that all parties have come together to prioritize the best interests of our local utility ratepayers and provide much needed relief to local taxpayers during a time of recovery from the pandemic.”

There will be no further comments from either party on this matter.



# FISCAL YEAR 2020/21 THIRD QUARTER FINANCIAL UPDATE

Finance Department

City Council  
June 15, 2021

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## GENERAL FUND OVERVIEW

	FY 2020/21 Adopted Budget	FY 2020/21 Year-to-Date Actuals
Revenue & Transfers In	\$271,400,277	\$190,239,414
Expenditures & Transfers Out	271,400,277	184,851,366
Surplus/(Deficit)	\$ -	\$5,388,048

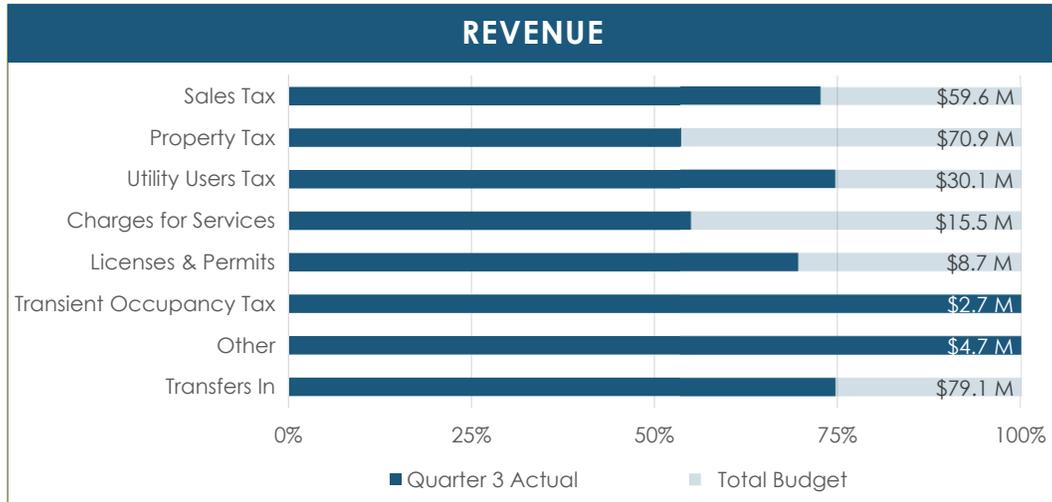
### General Fund Reserves at June 30, 2020 (in millions)

Emergency Reserves (15%)	\$42.0 M
Economic Contingency Reserves (5%)	14.0 M
Surplus Reserves*	15.6M
Pension Stabilization Reserves	9.4 M

\* Per Council direction on January 19, 2021, surplus reserves have been set aside to address future fiscal uncertainties.



# GENERAL FUND REVENUE



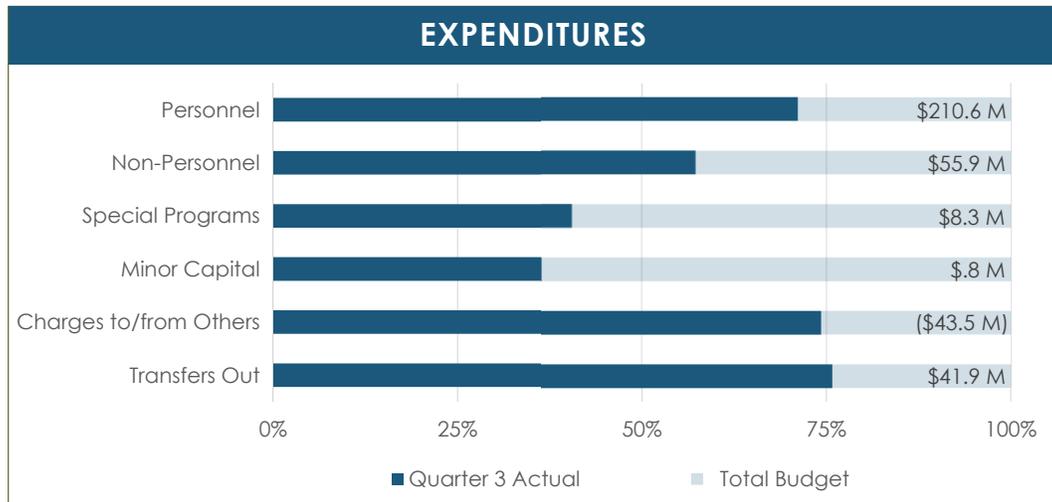
Includes budget adjustments recorded during the fiscal year.

3



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# GENERAL FUND EXPENDITURES



Includes prior fiscal year carryovers and budget adjustments recorded during the fiscal year.

4



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## MEASURE Z OVERVIEW

### MEASURE Z SUMMARY

	FY 2016/17 Actuals	FY 2017/18 Actuals	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 2020/21 Projected
Revenue	\$12,606,428	\$56,237,202	\$62,816,128	\$63,135,477	\$64,361,000
Expenditures / Allocations (Unexpended) / Carryovers	(9,973,447)	(36,134,811)	(40,988,149)	(50,063,853)	(67,641,582)
Net Change in Reserves	\$2,632,981	\$20,102,391	\$21,827,979	\$13,071,624	(\$31,388,702)
Policy Reserve Set Aside	-	-	(5,000,000)	-	-
<b>Reserves</b>	<b>\$2,632,981</b>	<b>\$22,735,372</b>	<b>\$39,563,351</b>	<b>\$52,634,975</b>	<b>\$21,246,273</b>

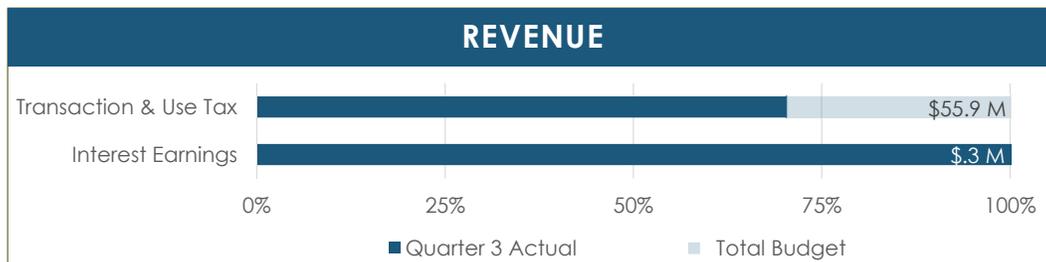


Excludes Transfers-In between Measure Z Capital and Operating Funds

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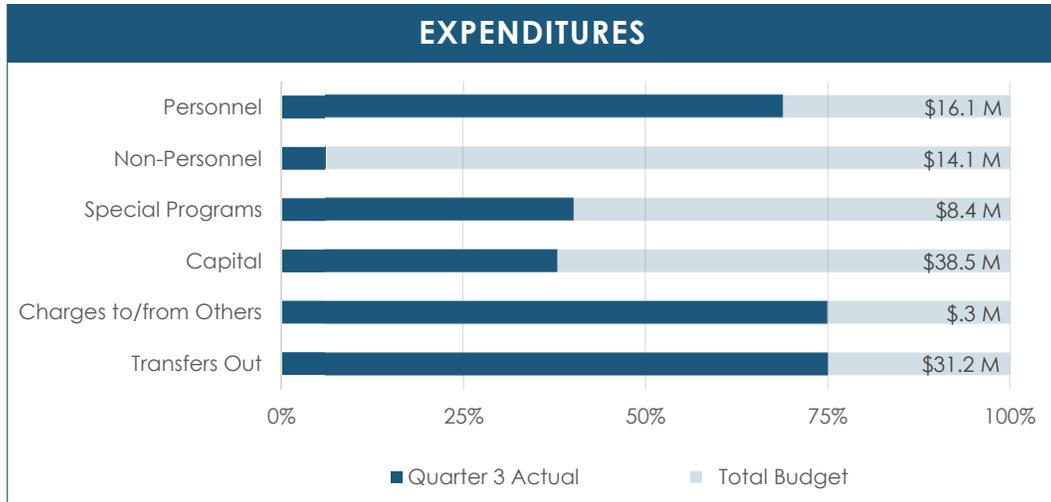
## MEASURE Z REVENUE



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# MEASURE Z EXPENDITURES



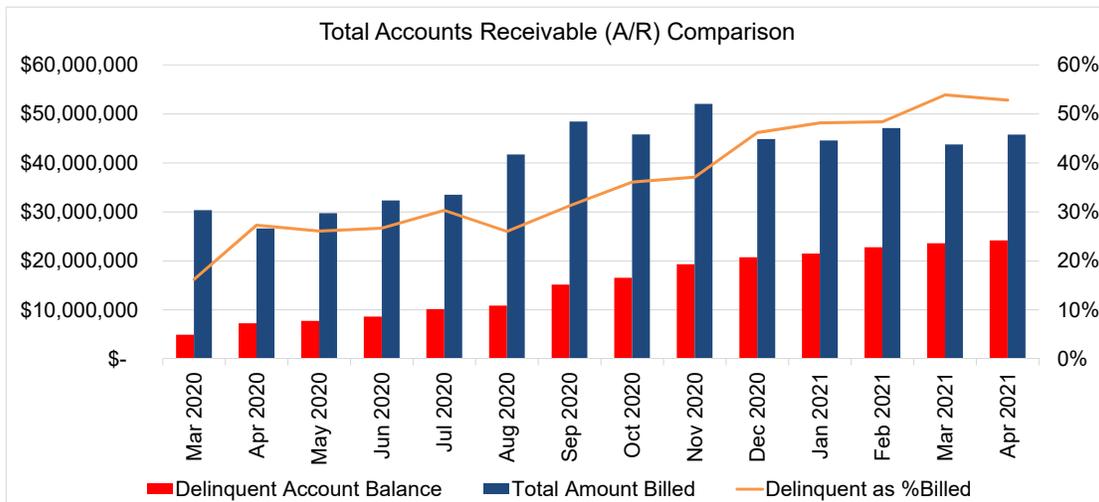
Includes prior fiscal year carryovers.

7



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# ENTERPRISE FUNDS (ELECTRIC, WATER, REFUSE, SEWER)



8



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## SEWER FUND OVERVIEW

	FY 2020/21 Operating Adopted Budget	FY 2020/21 Year-to-Date Actuals
Revenue & Transfers In	\$71,210,352	\$51,121,864
Expenditures & Transfers Out	63,561,324	48,497,036
Surplus/(Deficit)	\$7,649,028	\$2,624,828

Fund Reserves	
Beginning Balance	\$96,713,636
Estimated Revenues	71,210,352
Budgeted Expenditures*	99,522,465
Estimated Ending Reserves	\$68,401,523

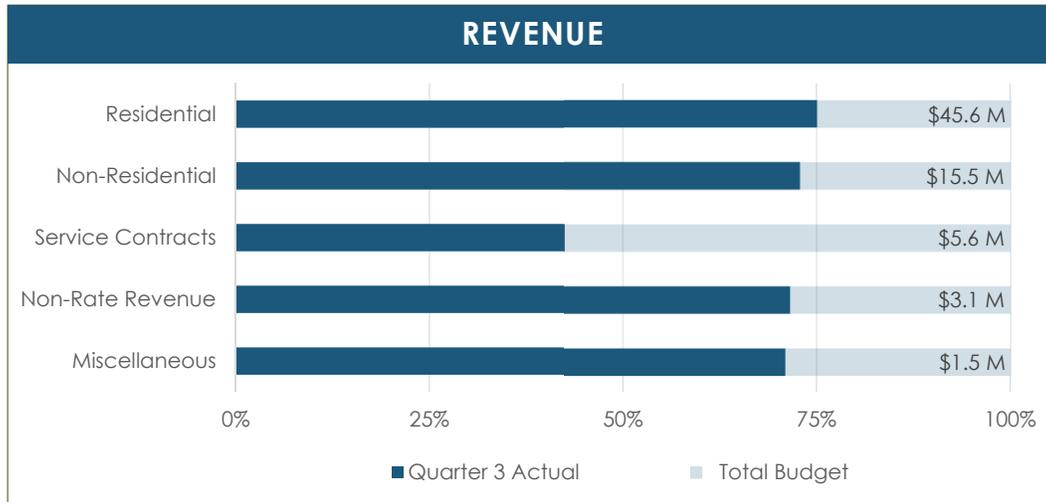


\* Includes \$14 million of planned capital projects, and prior fiscal year carryovers.

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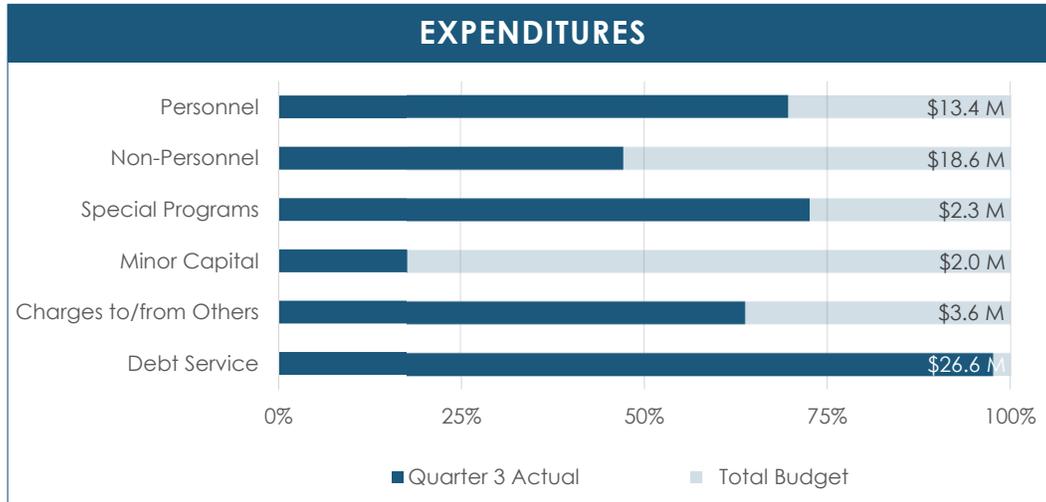
## SEWER FUND REVENUE



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## SEWER FUND EXPENDITURES



*Includes prior fiscal year carryovers; excludes capital projects.*

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## REFUSE FUND OVERVIEW

	FY 2020/21 Operating Adopted Budget	FY 2020/21 Year-to-Date Actuals
Revenue & Transfers In	\$25,222,325	\$19,075,662
Expenditures & Transfers Out	26,649,412	19,382,447
Surplus/(Deficit)	\$(1,427,087)	\$(306,785)

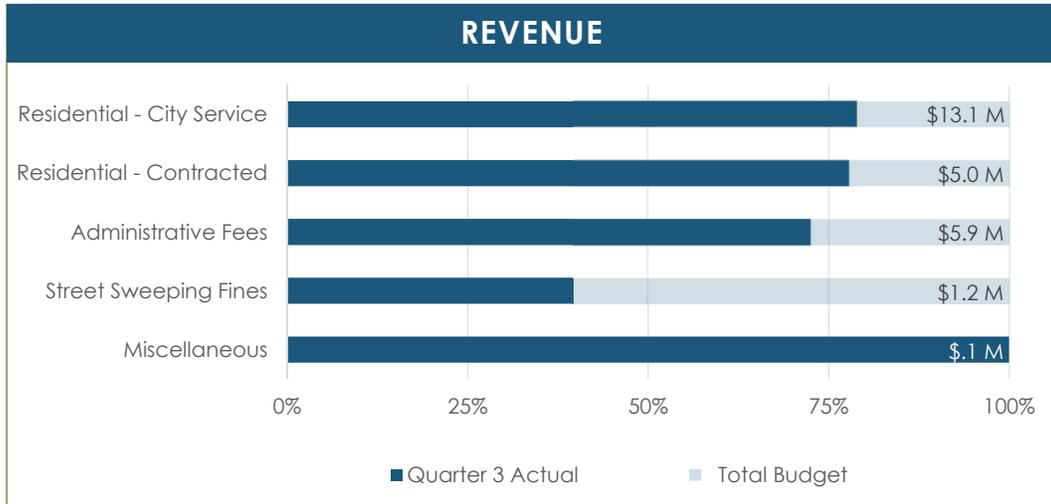
Fund Reserves	
Beginning Balance	\$7,607,955
Estimated Revenues*	25,222,325
Budgeted Expenditures*	27,197,949
Estimated Ending Reserves	\$5,632,331

*\* Includes revenue adjustments and prior fiscal year expenditure carryovers.*

12



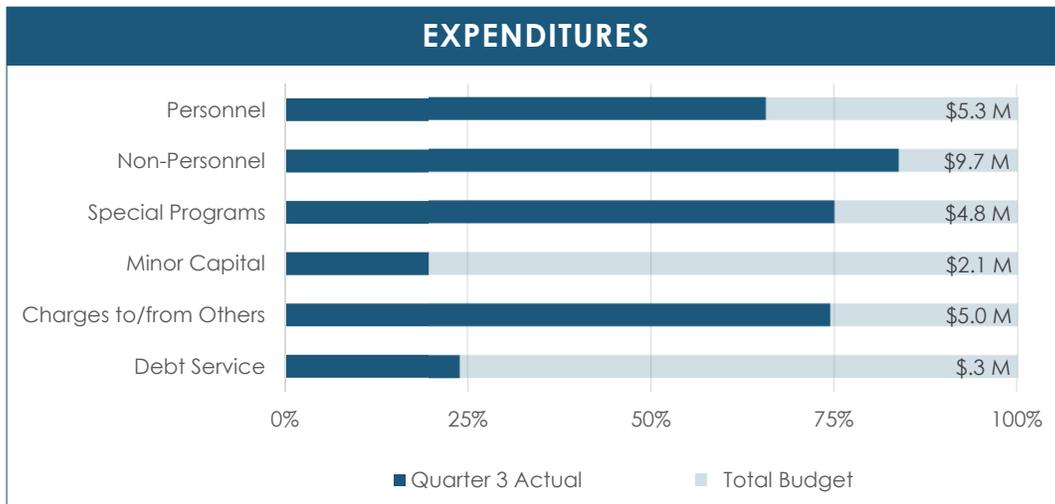
## REFUSE FUND REVENUE



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## REFUSE FUND EXPENDITURES



*Includes prior fiscal year carryovers.*

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## ELECTRIC FUND OVERVIEW

	FY 2020/21 Operating Adopted Budget	FY 2020/21 Year-to-Date Actuals
Revenue & Transfers In	\$395,239,794	\$294,177,236
Expenditures & Transfers Out	411,572,710	278,748,850
Surplus/(Deficit)*	\$(16,332,916)	\$15,428,386

### Unrestricted, Undesignated Cash Reserves (in millions)

Cash Reserves	\$192 M
Available Line of Credit	\$35 M
Minimum Reserve Level**	\$148 M
Maximum Reserve Level**	\$231 M

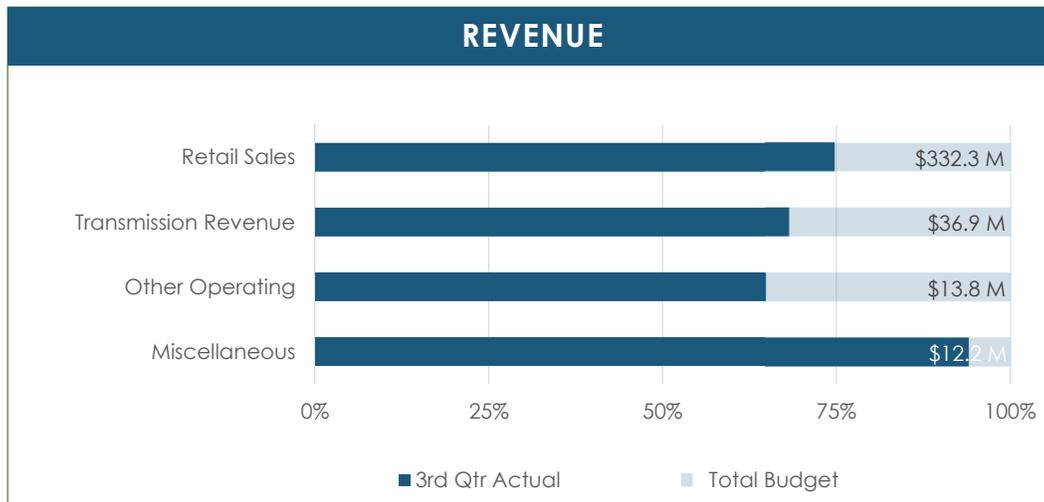


\*Strategic drawdown of cash reserves.  
\*\* Projected for 6/30/2021

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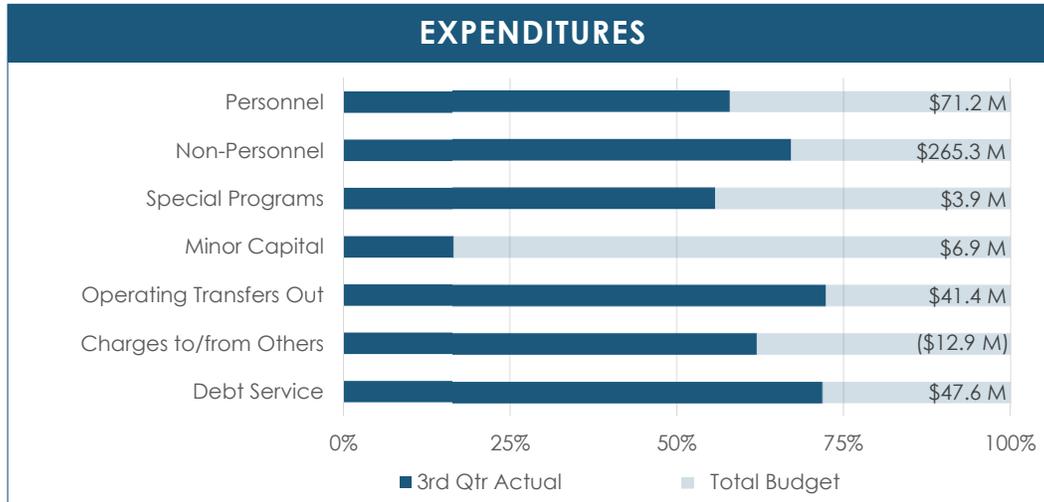
## ELECTRIC FUND REVENUE



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## ELECTRIC FUND EXPENDITURES



*Includes prior fiscal year carryovers; excludes capital projects.*

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## WATER FUND OVERVIEW

	FY 2020/21 Operating Adopted Budget	FY 2020/21 Year-to-Date Actuals
Revenue & Transfers In	\$83,693,756	\$65,216,821
Expenditures & Transfers Out	76,571,747	52,402,166
Surplus/(Deficit)	\$7,122,009	\$12,814,655

### Unrestricted, Undesignated Cash Reserves (in millions)

Cash Reserves	\$37 M
Available Line of Credit	\$25 M
Minimum Reserve Level*	\$43 M
Maximum Reserve Level*	\$66 M

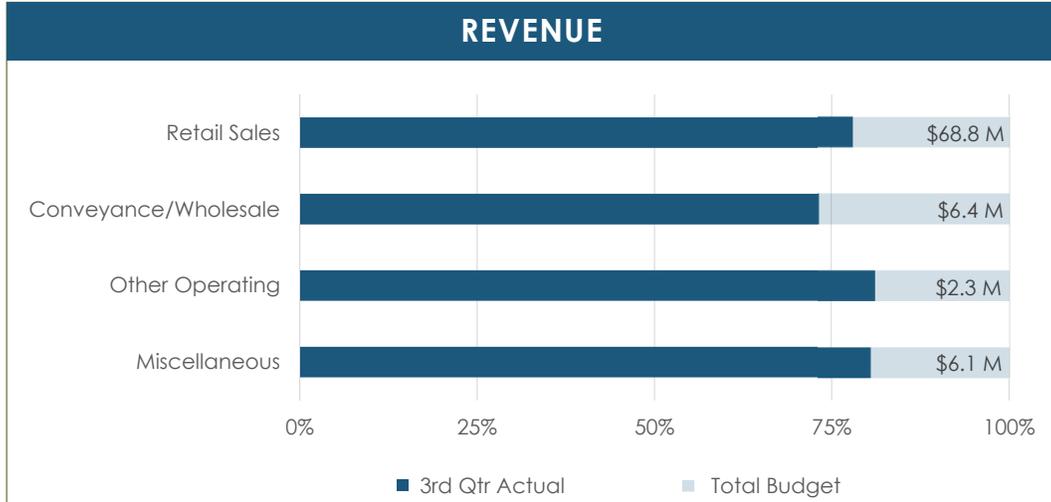


\* Projected for 6/30/2021.

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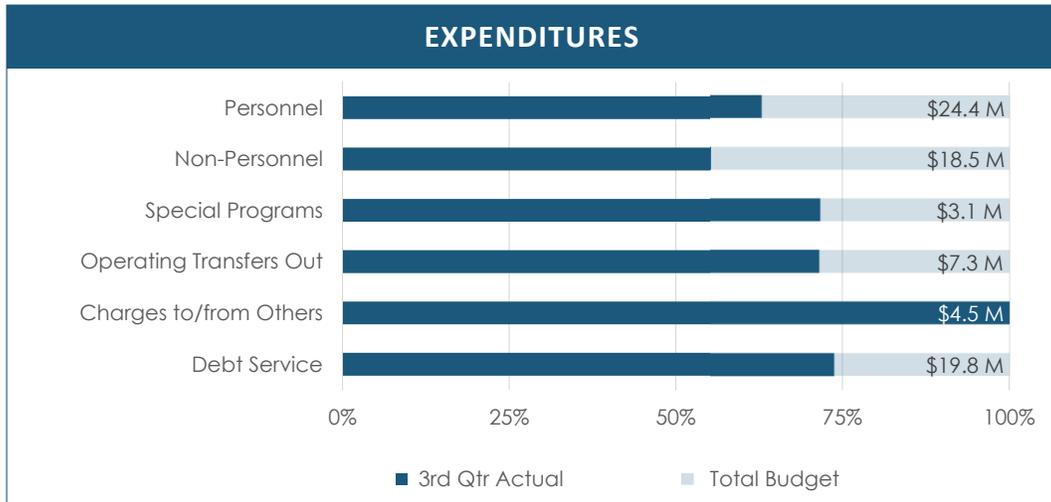
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# WATER FUND REVENUE



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# WATER FUND EXPENDITURES



\* Includes prior fiscal year carryovers; excludes capital project budget.

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## RECOMMENDATION

That the City Council receive and provide input on the Fiscal Year 2020/21 Third Quarter financial update.

