



**FY 2019-2020
Budget
Workshop
May 15, 2019**

Preliminary Budget Workshop Objectives



1. FY 18-19 Operating Budget Status and FY 19-20 Highlights
2. Review Summary of FY 2019-2020 General Fund Revenues and Expenditures
3. Review Multiple Year General Fund Revenues, Expenditures and Fund Balance
4. Summary of Water Fund Revenues and Expenditures
5. Summary of Sewer Fund Revenues and Expenditures
6. Summary of Gas Tax Fund Revenues and Expenditures
7. Detail Review of Expenditures and Requests by Department/Program
8. Measure R Discussion



Operating Budget Highlights

General Fund Highlights



General Fund Status for FY 18-19

- Increased fees associated with the Norco Village and hotel projects
- One-Time Sales Tax due to under advancement by CDTFA of prior year receipts
- Riverside County has estimated a reduction in Sheriff Services costs from original projection last year. Budgeted 7% and estimate is 2.2% increase.
- Actual CalFire invoices are coming in less than budgeted resulting in a projected savings.
- Departmental savings
- **Results in the elimination of the \$1.3 million deficit estimated in June 2018**
- The cumulative revenue increases and expenditure reductions are projected to result in a \$600,000 revenues over expenditures by June 30, 2019.

General Fund Highlights



General Fund Status for FY 19-20

- Total estimated General Fund revenues of \$20.6 million and total estimated expenditures of \$21.6 million.
- **Projected structural deficit of \$1.0 million**

Expenditures

- Projected General Fund Expenditure budget is based on the following:
 - Maintain existing non-safety service levels; no new programs or employees
 - Provides for a 5% annual adjustments for Sheriff's services
 - Continues to provide funding for (1) Traffic Enforcement Deputy and (1) Community Services Officer
 - Provides for annual contractual increase of 5% for CAL FIRE Services

General Fund Highlights



General Fund Status for FY 19-20 – Expenditures (cont'd)

- Includes increasing health care and pension costs
- Continues to provide limited funding to pay down liability for post-retirement healthcare costs as well as pay-go retiree healthcare costs increases
- Provides funding to pay for pass-through employer pension rate increases
- City employees continue to pay their full share of employee portion of pension contribution
- Includes funding for increased utility costs
- Provides funding for contributions to Equipment Replacement Fund

General Fund Highlights



General Fund Status for FY 19-20 – Expenditures (cont'd)

- Includes \$100,000 for the completion of a Circulation Element.

Expenditures not included in the preliminary operating budget:

- For the fourth year, does not include General Fund \$75,000 transfer to National Pollutant Discharge Elimination System (NPDES) Fund operations due to available fund balance to address gap in FY 19-20
- Budget does not include Measure R considerations
- Budget does not include MOU considerations

General Fund Highlights



General Fund Status for FY 19-20

Revenues

- FY 19-20 General Fund Revenues are relatively flat as compared to year-end FY 18-19 trends
- Overhead Reimbursements from the Water and Sewer Fund are increasing by \$122,000 as a result of the recent cost allocation study

Revenue Not Included in the Preliminary Budget:

- Overhead Reimbursements – continues to anticipate loss of \$108,000 reimbursement for former Redevelopment (RDA) employees from State Department of Finance due to ongoing dispute.
- The recent proposed Fee Study and associated revenue projections revenue will be reviewed upon adoption.

Other Fund Highlights



FY 19-20 Other Funds Status

Water & Sewer Funds

- Complete Refunding of 2009 Enterprise Water and Sewer bonds
- Repayment of \$324,000 to the Equipment Replacement Fund for vehicles not originally in the Equipment Replacement Fund.
- Third consecutive year of increasing operating and emergency reserves.

Information Technology Fund

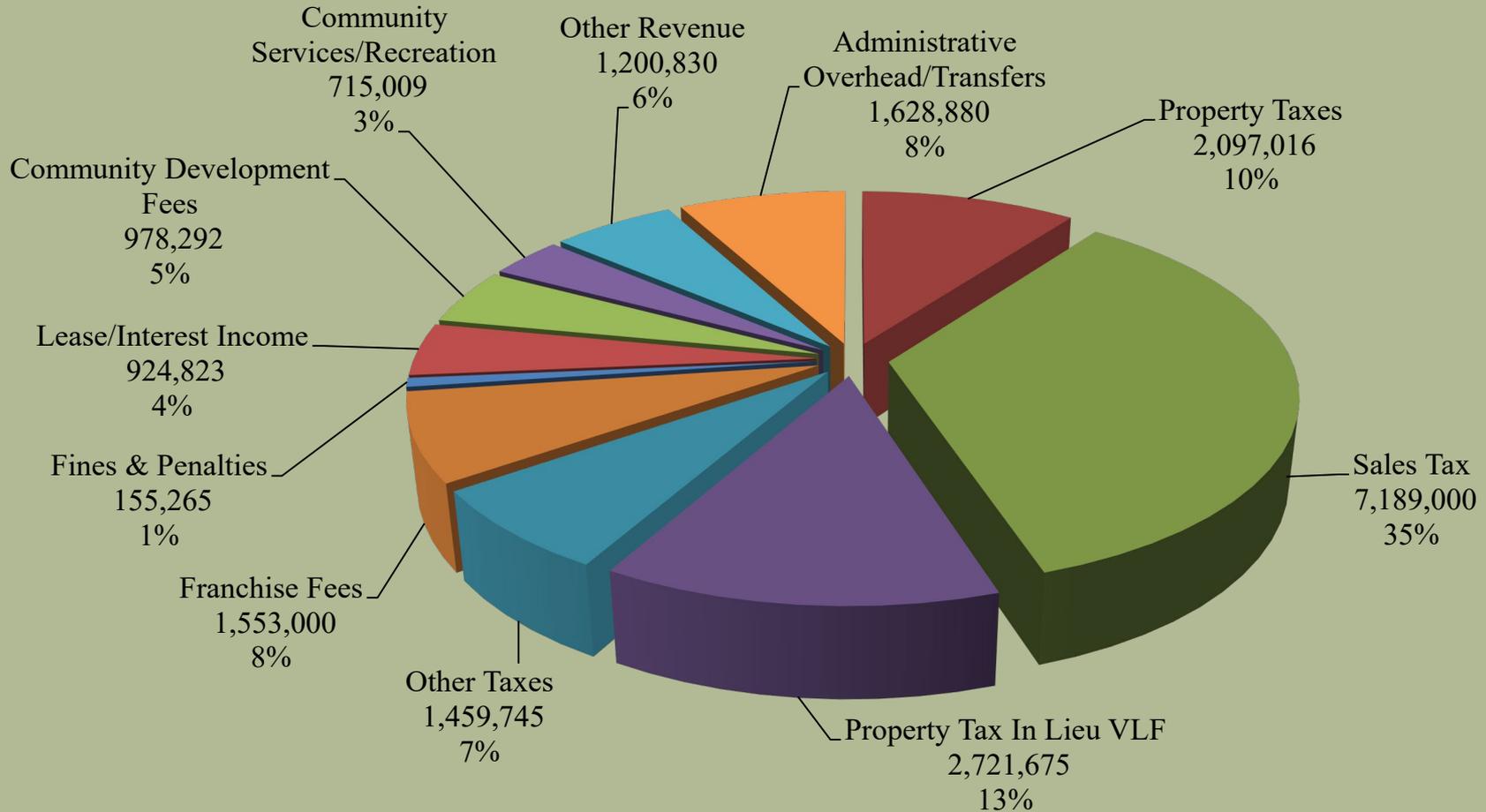
- Budget includes an IT Assessment Plan and Community Development Software with enterprise resource planning (ERP) Tyler/New World
- Departmental budget charges have been reallocated according to use.
- Charging structure is anticipated to be reviewed in the IT Assessment Plan.



FY 2019-2020 Summary of General Fund Revenues

FY 2019-2020 General Fund Revenues by Source

\$20,623,535



FY 2019-2020

General Fund Revenues by Source



Revenue Category	FY 2018-2019 Amended Budget	FY 2018-2019 Year-End Estimate	FY 2019-2020 Preliminary Budget	Dollar Change from Budget	Percentage Change Budget to Budget
Property Taxes	\$ 2,013,778	2,011,867	2,097,016	83,238	4%
Sales Taxes	7,301,090	7,535,715	7,189,000	(112,090)	-2%
Property Tax In Lieu VLF	2,608,071	2,606,761	2,721,675	113,604	4%
Other Taxes	1,354,782	1,359,782	1,459,745	104,963	8%
Franchise Fees	1,584,740	1,552,166	1,553,000	(31,740)	-2%
Fines & Penalties/Intergov.	181,593	176,877	155,265	(26,328)	-14%
Interest/Lease Income	789,236	882,544	924,823	135,587	17%
Community Development Fees	1,101,830	1,183,036	978,292	(123,538)	-11%
Community Services/Recreation	710,534	684,082	715,009	4,475	1%
Other Revenues	1,224,618	1,292,437	1,200,830	(23,788)	-2%
Administrative Overhead/Operating Transfers	1,506,852	1,466,852	1,628,880	122,028	8%
Total	<u>\$ 20,377,124</u>	<u>20,752,119</u>	<u>20,623,535</u>	<u>246,411</u>	<u>1%</u>

FY 2019-2020

General Fund Revenues by Source



- Revenues are projected to increase by only \$246,000 as compared to the Amended FY 18-19 Budget and decrease by \$128,000 as compared to the estimated year-end FY 18-19 Budget
- Revenues are conservatively projected
- Adjustments to revenue projections are reviewed and presented after six months of performance in the Mid-Year Budget Report

General Fund Revenues



PROPERTY TAX:

- Includes secured and unsecured levies, residual tax increment and pass-through distribution, and penalties
- Assumes overall 4% increase in assessed value and continued tax increment distribution at prior year levels.

SALES TAX:

- Current sales tax revenues are anticipated to be lower than FY 18-19 projections due to one-time delayed prior year payments from the State in FY 18-19.
- FY 19-20 estimated revenues based on Sales Tax Consultant's projections.

General Fund Revenues



PROPERTY TAX IN LIEU OF VLF:

- City's share of allocation of Motor Vehicle License (VLF) Fees collected by the Department of Motor Vehicles (DMV). Due to State financial issues in the 2000's, the VLF is actually backfilled with property tax and grows at the same rate as assessed valuations of the jurisdiction.
- In Lieu of VLF Fees is projected to increase by 4% from prior year based on the State's estimates and confirmed by HDL.

OTHER TAXES:

- Consists of Public Safety Sales Tax, Property Transfer Tax, Transient Occupancy Tax (TOT), and Business License with projected increase overall of 7%
- TOT revenue is projected to increase by 16% with inclusion of six months of operations (at 50% occupancy) from Woodsprings Hotel TOT (Bed Tax)

General Fund Revenues



FRANCHISE FEES:

- Includes cable television, electric, gas, and refuse franchise fees. No projected increase in this category.
- Franchise fees may decrease in the future as Cable TV Franchise Fees fluctuate.

FINES & PENALTIES/INTERGOVERNMENTAL

- Fines & Penalties include vehicle and code enforcement fines. Fines & Penalties will be reviewed at mid-year for adjustments. Intergovernmental is included here as a placeholder since no new revenues are anticipated.

General Fund Revenues



INTEREST AND LEASE INCOME:

- Consists of revenues derived from cell towers, interest income and SilverLakes rental and lease income.
- Projected 17% increase is based on new cell tower agreements and higher projected interest income due to higher cash balances.

COMMUNITY DEVELOPMENT FEES:

- Includes Planning Division fees, Building fees, and Engineering fees
- These fees are projected to decrease by 17% as compared to year-end or \$123,000 as compared to budget, due to timing of permit activities and/or reduction in activities

COMMUNITY SERVICES/RECREATION

- Includes recreation revenues such as programs, rentals and event revenue. Revenue is relatively flat with a 1% projection.

General Fund Revenues



OTHER REVENUES:

- Key revenues included in this category are Voluntary Emergency Medical Subscription (VEMS), dog licenses, penalties, fire inspection fees, fire plan check fees, etc
- Revenue projected to decrease by 2% primarily due to conservative projections for Dog License renewal and Miscellaneous Revenue. Other Revenues will be reviewed at mid-year for adjustments.

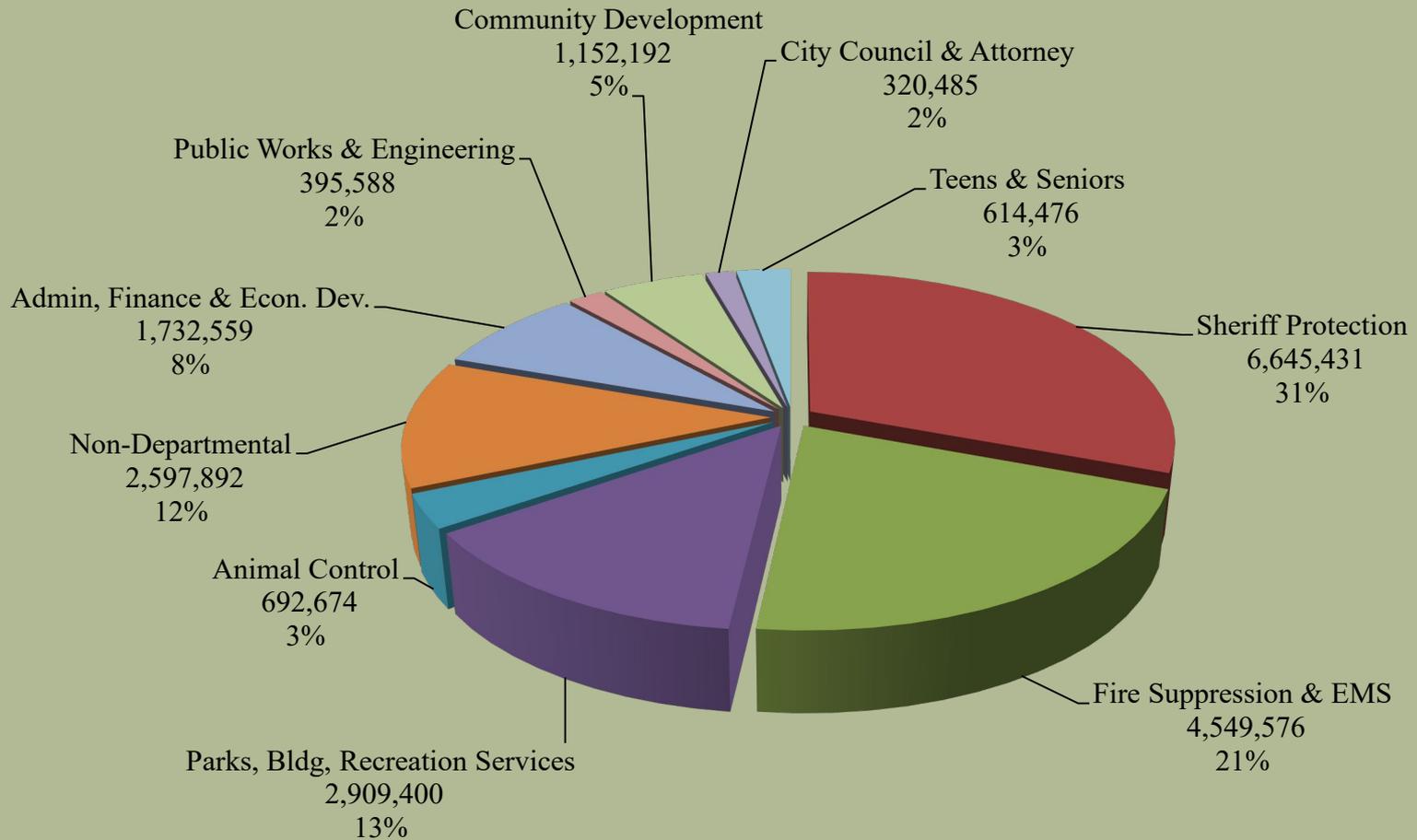
OVERHEAD/TRANSFERS:

- Reimbursements of allocated costs by other Funds to the General Fund
- Estimate continues to be based on loss of Successor Agency reimbursement of unfunded pension and retiree healthcare liabilities
- An 8% increase is the recently completed cost allocation plan resulting in increased overhead reimbursement from other funds. The one-time transfer from the Equipment Replacement fund to the General Fund for a Senior Center bus as a match to an RCTC grant has been included again in FY 19-20 due to the expected arrival date of the bus in the new fiscal year.



FY 2019-2020 Summary of General Fund Expenditures

FY 2019-2020 Estimated General Fund Expenditures By Function \$21,610,273



FY 2018-2019

General Fund Expenditures By Program



Program Expenditures	FY 2018-2019 Amended Budget	FY 2018-2019 Year-End Estimate	FY 2019-2020 Preliminary Budget	Dollar Change from Budget	Percentage Change Budget to Budget
Sheriff Protection	\$ 6,543,987	\$ 6,312,044	\$ 6,645,431	101,444	2%
Fire Suppression & EMS	4,479,667	4,313,917	4,549,576	69,909	2%
Parks, Bldg, Recreation Services	2,803,635	2,778,265	2,909,400	105,765	4%
Non-Departmental	2,271,655	2,192,232	2,597,892	326,237	14%
Administration, Finance & Econ. Dev.	1,751,019	1,711,713	1,732,559	(18,460)	-1%
Community Development	1,052,497	997,407	1,152,192	99,695	9%
Animal Control	640,283	639,563	692,674	52,391	8%
City Council & City Attorney	313,251	318,676	320,485	7,234	2%
Public Works & Engineering	358,046	319,035	395,588	37,542	10%
Teens & Seniors	585,302	511,359	614,476	29,174	5%
Total	<u>\$ 20,799,342</u>	<u>20,094,211</u>	<u>21,610,273</u>	<u>810,931</u>	<u>4%</u>



General Fund Revenues, Expenditures and Fund Balance Trends

General Fund

Projected General Fund Balance



	Year-End Projections	Fund Balance
Audited Fund Balance June 30, 2018		11,734,042
Estimated Revenues	20,752,119	
Estimated Expenditures	<u>(20,094,211)</u>	<u>657,908</u>
Estimated Fund Balance July 1, 2019		12,391,950
Estimated Revenues	20,623,535	
Estimated Expenditures	<u>(21,610,273)</u>	<u>(986,738)</u>
Estimated Fund Balance June 30, 2020		11,405,212

- The original (adopted) deficit for FY 18-19 was \$1.3 million. At Mid-year, the deficit was reduced by \$923,000 primarily from new development and one-time Sales Tax revenue reducing the deficit to \$422,000. An additional \$374,000, primarily from one-time Sales Tax and \$700,000 in expenditure savings from reduced public safety programs is projected to eliminate the deficit. An estimated \$657,000 resulting from revenues over expenditures is projected for FY 18-19. The revenue and expenditure savings are one-time.*

General Fund Reserves



GENERAL FUND RESERVE STATUS

- Estimated unassigned reserve amount of \$10.9 million
 - An additional \$465,094 is projected to be attributed to Trust Fund Deposits and Donations.

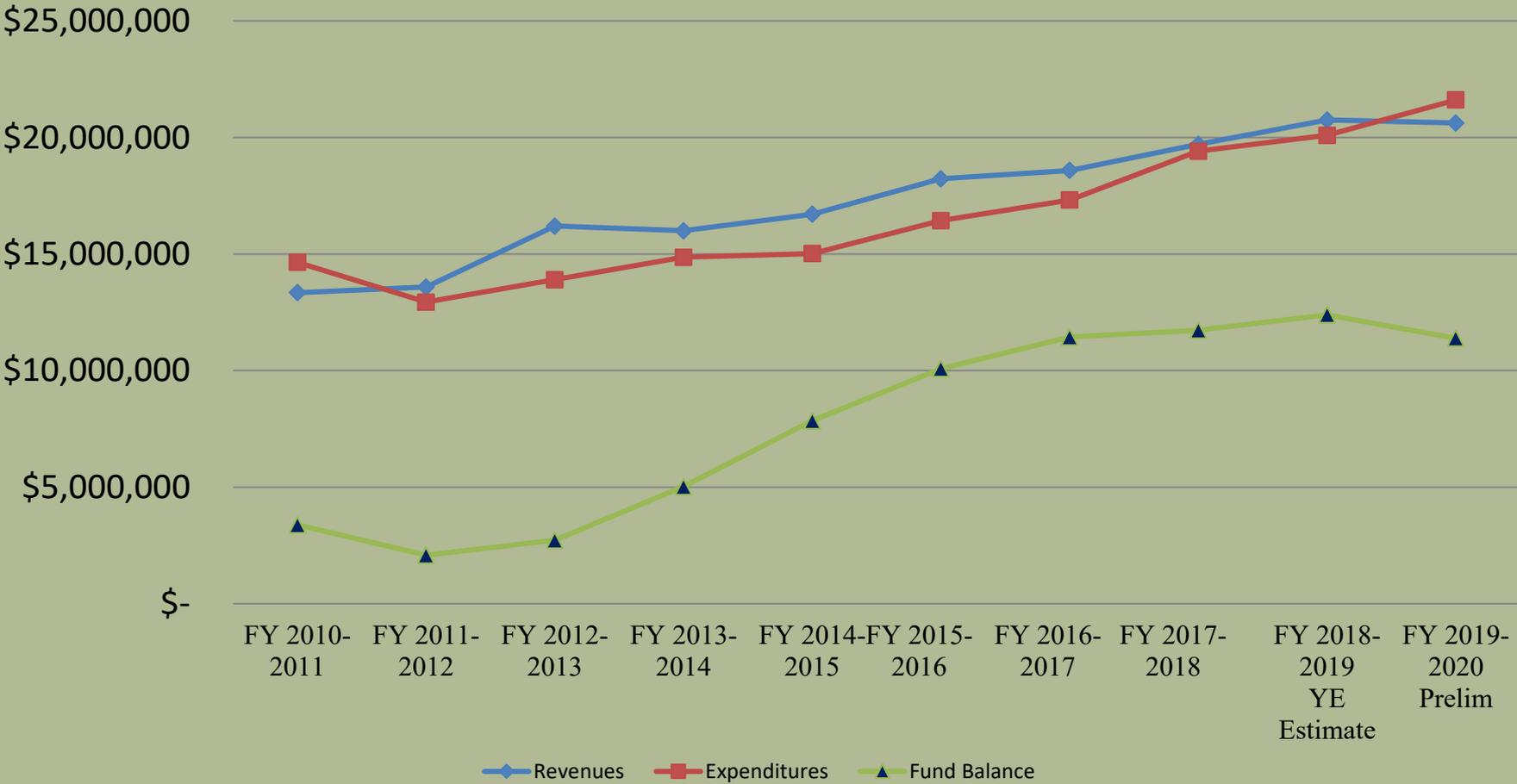
CITY COUNCIL EMERGENCY RESERVES

- Estimated \$5.4 million designated for emergencies per City Council resolution based on 25% of \$21.6 million in operating expenditures

SPECIAL ASSET FUND

- Estimated current fund balance is \$2.1 million in cash and additional \$2.59 million in long-term receivables

General Fund Revenues, Expenditures and Fund Balance Trends FY 2011 to FY 2020





Summary of Water Fund Revenues and Expenditures

Water Fund Highlights



Projected FY 19-20 Water Fund assumptions are based on the following:

- Includes approved water rates effective July 1, 2019
- Purchased water costs are estimated based on obligations under take-or-pay purchase water contracts
- Budget includes offsetting changes in reduced utility costs, contractual services, increasing vehicle replacement charges, overhead charges and salaries and benefits.

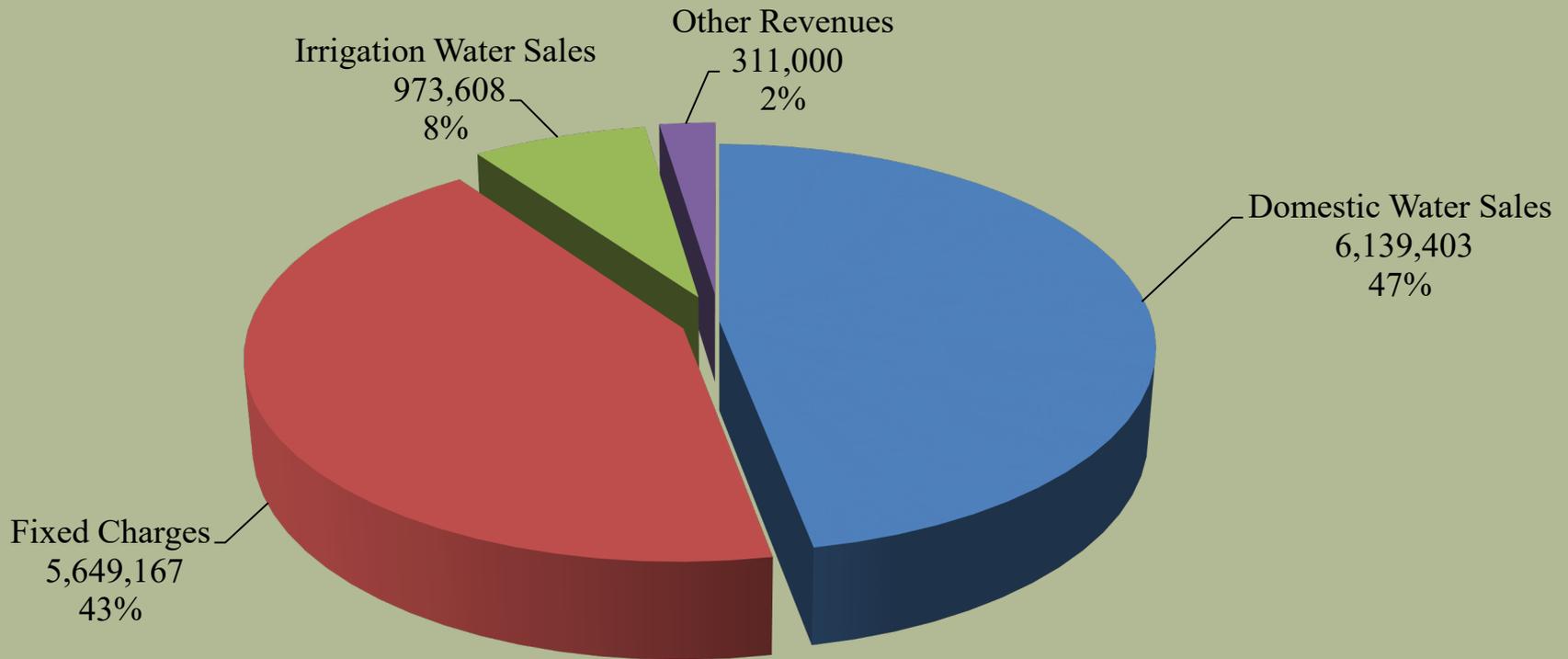
Water Fund Highlights



- FY 2019-2020 total Water Fund projected revenues are \$13.0 million. Total projected expenditures is \$10.7 million. The difference between revenues and expenditures, or \$2.3 million, is added to Working Capital Balance in the Water Operating Fund.
- Estimated Working Capital Balance on June 30, 2020 is \$4.8 million
- The Water Fund's Working Capital Balance includes Operating and Rate Stabilization Reserves
- *By June 30, 2020, Emergency operating reserves will be \$1.9 million and Rate Stabilization reserves will be \$666,666*

Summary of Water Fund Revenues by Type

\$13,073,178



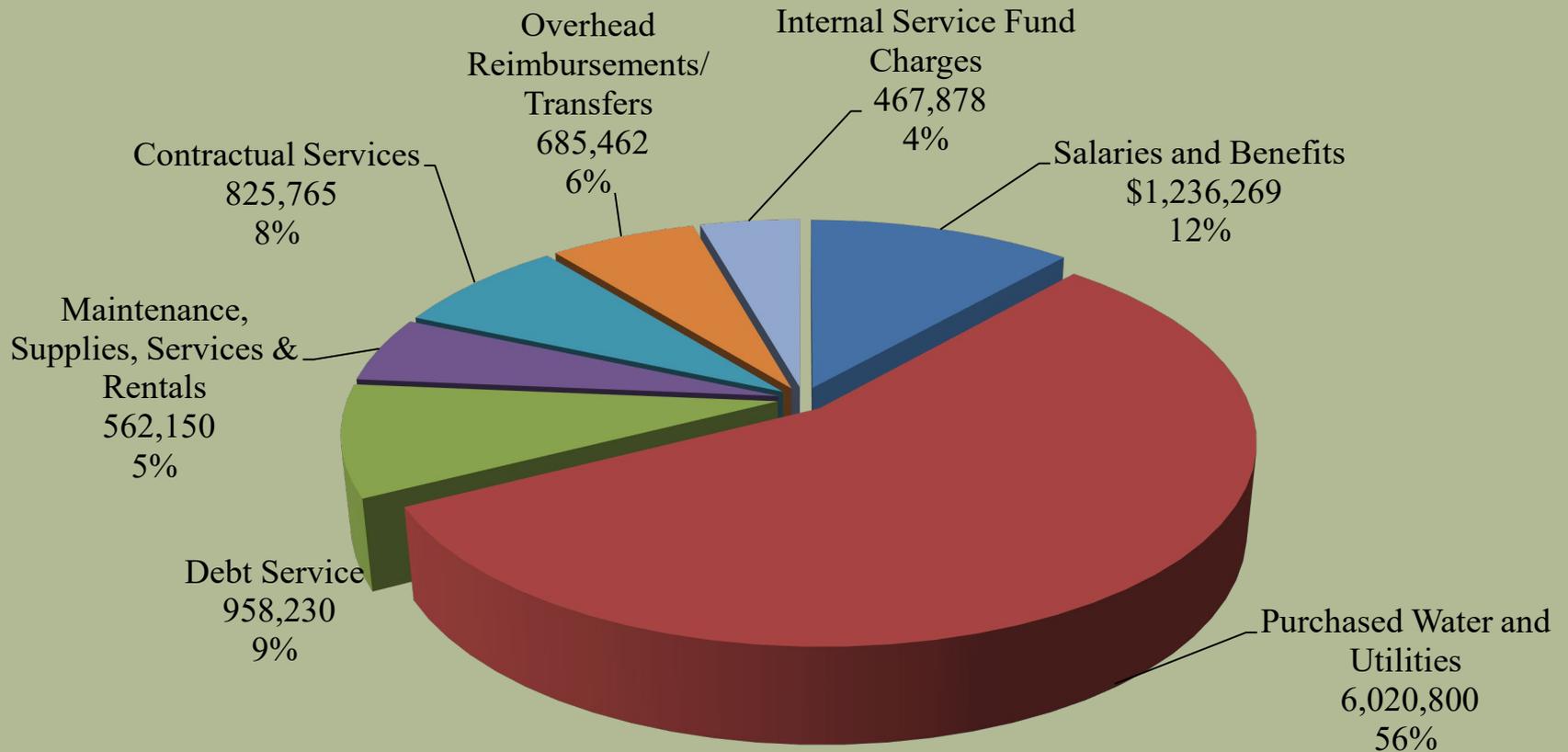
Summary of Projected Water Fund Expenditures by Category For Fiscal Years 2018-2019 and 2019-2020



Expenditure By Type	FY 2018-2019 Amended Budget	FY 2018-2019 Year-End Estimate	FY 2019-2020 Preliminary Budget	Dollar Change from Budget	Percentage Change Budget to Budget
Salaries & Benefits	\$ 1,167,629	\$ 1,077,526	\$ 1,236,269	68,640	6%
Maintenance, Supplies, Services & Rentals	611,650	493,651	562,150	(49,500)	-8%
Purchased Water and Utilities	6,161,950	5,406,259	6,020,800	(141,150)	-2%
Contractual	907,625	693,410	825,765	(81,860)	-9%
Overhead Reimb and Transfers	614,391	614,391	685,462	71,071	12%
Debt Service	955,524	955,524	958,230	2,706	0%
Internal Service Fund Charges	253,628	352,875	467,878	214,250	84%
Total	<u>\$ 10,672,397</u>	<u>9,593,637</u>	<u>10,756,554</u>	<u>84,157</u>	<u>1%</u>

FY 2019-2020 Estimated Water Fund Expenditures

Total \$10,756,554





Summary of Sewer Fund Revenues and Expenditures

Sewer Fund Briefs



Projected FY 19-20 Sewer Fund assumptions are based on the following:

- Sewer Fund revenues are based on existing sewer rate structure.
- Projected increase in expenditures compared to FY 2019-2020 budget due to increased salary and benefit costs, debt service payments, administrative overhead and one-time vehicle replacement charges.
- Expansion of Western Riverside County Regional Wastewater Authority (WRCRWA) Treatment Plant is now completed and the budget does include an increase in managing and operating the new treatment plant as well as the payment of the City's portion of the construction loan.

Sewer Fund Highlights



- FY 2019-2020 total Sewer Fund projected revenues are \$7.7 million. Total projected expenditures are \$7.1 million. The difference between revenues and expenditures, or \$600,000, is added to Working Capital Balance in the Sewer Operating Fund.
- Estimated Working Capital Balance on June 30, 2020 is \$2.7 million
- *By June 30, 2020, Emergency operating reserves will be \$1.7 million*

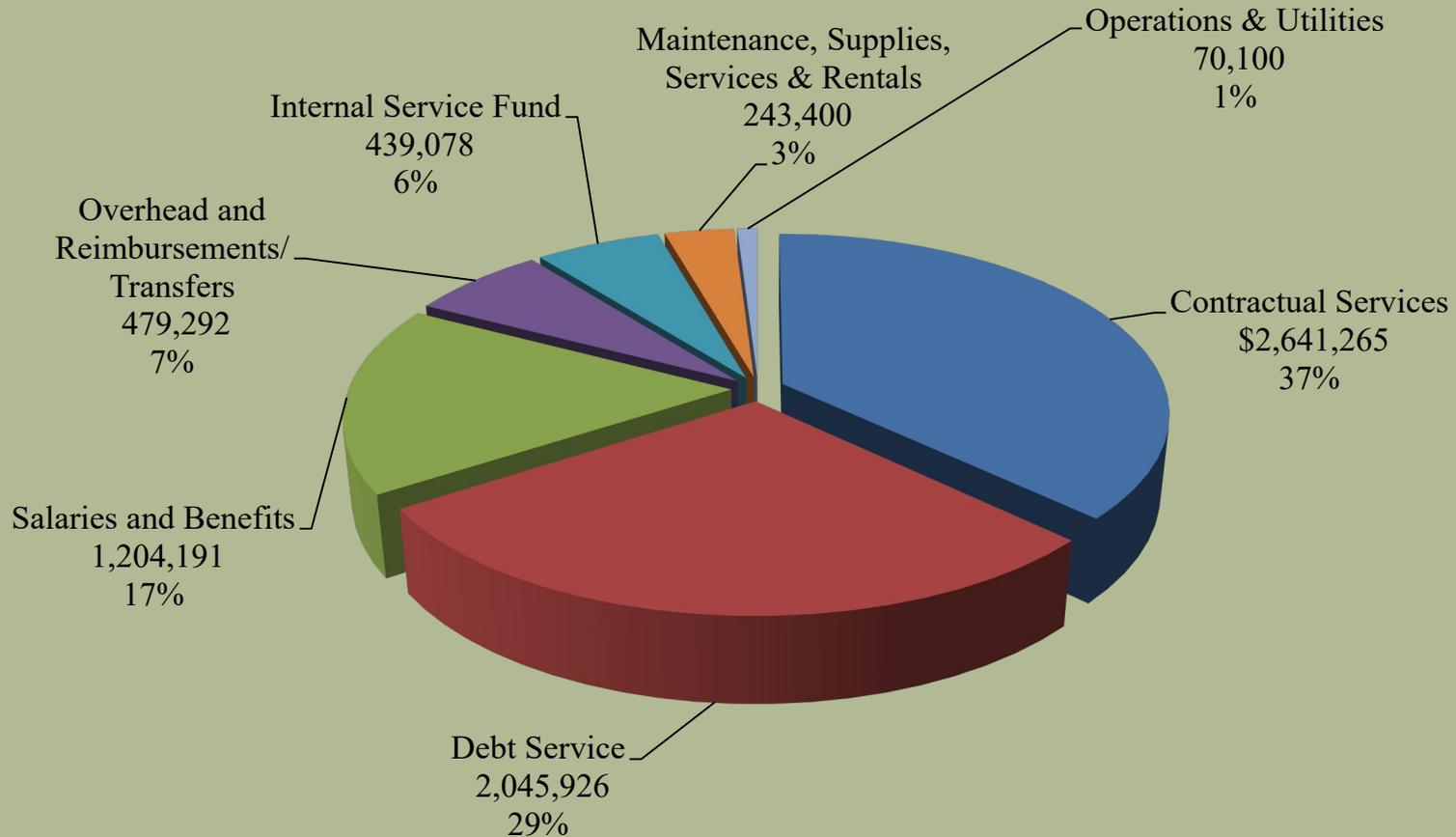
Summary of Projected Sewer Fund Expenditures by Category For Fiscal Years 2018-2019 and 2019-2020



Expenditure By Type	FY 2018-2019 Amended Budget	FY 2018-2019 Year-End Estimate	FY 2019-2020 Preliminary Budget	Dollar Change from Budget	Percentage Change Budget to Budget
Salaries & Benefits	\$ 1,126,967	\$ 1,038,137	\$ 1,204,191	77,224	7%
Maintenance, Supplies, Services & Rentals	237,900	159,224	243,400	5,500	2%
Operations and Utilities	50,100	65,000	70,100	20,000	40%
Contractual	2,637,005	2,172,005	2,641,265	4,260	0%
Overhead Reimb and Transfers	428,332	428,332	479,292	50,960	12%
Debt Service	1,646,216	1,646,216	2,045,926	399,710	24%
Internal Service Fund Charges	214,752	161,432	439,078	224,326	104%
Total	<u>\$ 6,341,272</u>	<u>5,670,346</u>	<u>7,123,252</u>	<u>781,980</u>	<u>12%</u>

FY 2019-2020 Estimated Sewer Fund Expenditures

Total \$7,123,252





Summary of Gas Tax Fund Revenues and Expenditures

Gas Tax Fund Revenue and Expenditures



- City's share of State allocation of gas tax revenues.
- Use of revenue is restricted to eligible streets and road work such as signal maintenance, pothole repairs, traffic lights utilities, tree trimming, etc.
- Total estimated revenues of \$721,833 is anticipated for FY 19-20.
- Total estimated expenditures are anticipated to remain flat at \$866,006 for FY 19-20
- Projected FY 2019-2020 Fund Balance as of June 30, 2020 is \$178,189



**Expenditures by
Department/Programs
All Operating Funds**



Police

FY 2019-2020 Operating Expenditure Review

General Fund SLESF Grant (Supplemental Law Enforcement Services Fund)	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
Sheriff Contract	\$6,177,051	\$5,954,432	\$6,261,100	1%
Total GF Budget	\$6,543,987	\$6,312,044	\$6,645,431	2%
Total All Funds	\$6,643,987	\$6,442,044	\$6,745,431	2%

- The Sheriff's contract costs for FY 18-19 is projected to be 3% lower than the amended budget due to actuals being less than projections.
- The Sheriff's contract costs for FY 19-20 is projected to increase by 5% as compared to the estimated FY 18-19 contract costs. This is due to pension obligations, workers comp rate increases, and County internal service fund (ISF) cost increases.
- The Total All Funds includes the SLESF Grant of \$100,000.



Fire

FY 2019-2020 Operating Expenditure Review

General Fund Equipment Replacement Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
Fire Contract	\$4,413,456	\$4,244,766	\$4,478,228	1%
Total GF Budget	\$4,479,667	\$4,313,917	\$4,549,576	2%
Total All Funds	\$4,489,562	\$4,317,212	\$4,549,576	1%

- The Year-End estimate is based on invoices received year to date which when annualized is \$168,000 lower than the contract cost estimate Exhibit A for FY 18-19.
- City staff has applied the CalFire contract anticipated 5.5% increase on the FY 18-19 year-end estimate. Contract cost estimate (Exhibit A) is \$4.6 million or \$148,000 higher.
- Projections may be modified in proposed budget submittal if third invoice is received. Additional funding of \$51,600 for fire engine replacement is provided through Equipment Replacement Fund.



Fiscal & Support Services

FY 2019-2020 Operating Expenditure Review



General Fund Water Fund Sewer Fund Housing Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
Fiscal & Support Services	\$1,457,310	\$1,413,660	\$1,503,306	3%

- FY 2018-2019 estimated expenditures are below amended budget amounts due to salary and benefit savings.
- FY 2019-2020 budgeted expenditures for the General Fund are decreasing by 4% due to the reallocation of information technology charges. These charges and increasing pension costs result in an overall increase of 3%.
- The budget includes funding for training for staff and on-going costs for business license software, efficient modifications to the financial system and resulting reports.



City Manager/Administration
City Manager
City Clerk
Economic Development
Human Resources

FY 2019-2020 Operating Expenditure Review



General Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
City Manager	\$365,064	\$361,390	\$382,803	5%

- FY 2019-2020 budgeted expenditures are \$17,739 or 5% higher than amended budget primarily due to pension costs and internal service fund charges.

FY 2019-2020 Operating Expenditure Review



General Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
City Clerk	\$388,553	\$379,945	\$358,883	-8%

- FY 2018-2019 estimated expenditures are below budgeted amounts due to savings in contractual services.
- FY 2019-2020 budgeted expenditures are less than FY 18-19 due to one time expenditures for elections.

FY 2019-2020 Operating Budget



General Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
Economic Development	\$228,713	\$221,367	\$228,113	0%

- Gateway Sign participation has plateaued but more aggressive marketing options are being explored. City staff continues to provide advertising and marketing resources.
- Budget includes funding for continued participation in the International Council of Shopping Centers (ICSC) but at a reduced scale.

FY 2019-2020 Operating Expenditure Review



General Fund Water Fund Sewer Fund	FY 18-19 Amended Budget	FY 18-19 Estimated Year-End	FY 19-20 Preliminary Budget	Percentage Change Budget to Budget
Human Resources	\$154,361	\$146,255	\$175,045	13%

- In FY 2018-2019, Human Resources is lower than amended budget due to salary and benefit savings.
- FY 19-20 is \$20,000 or 13% higher compared to amended budget due to first time allocation information technology internal fund charges and salary and benefit adjustments.

ECONOMIC DEVELOPMENT



ECONOMIC DEVELOPMENT

Request: Naming Rights

Funding Source: General Fund

Item:

Consulting Fees for Ingalls Event Center
Sponsorship Valuation

Estimated Cost \$25,000

Consultant will provide the following components in a Property Valuation Analysis Report:

- 1) An evaluation of prospective corporate interest in sponsorship opportunities;
- 2) Determination of the market value of various levels of sponsorship; and
- 3) A marketing strategy that when implemented, can create a revenue stream to fund future improvements and amenities at Ingalls



Upcoming City Council Budget Actions:

June 5, 2019: Continuation of Operating Budget Review and 5 Year CIP Review

June 19, 2019: FY 19-20 Budget Adoption