

JOHN RUSSO and MARIANNA MARYSHEVA-MARTINEZ: New budget process will make Riverside stronger

By JOHN RUSSO and MARIANNA MARYSHEVA-MARTINEZ / Contributing writers

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The city of Riverside has enjoyed financial success in the past decade, most notably through the on-time and on-budget delivery of the nearly \$2 billion Riverside Renaissance capital improvement program. The city rode out the Great Recession with grace, while some of our neighbors in surrounding communities struggled to maintain even a basic level of government services.

That success, however, 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 using the concept of "managed savings" to backfill the budget by not filling some jobs throughout the year, Riverside has effectively delayed the impact of its spending decisions for years.

There is nothing ethically wrong with these practices, and they are certainly not illegal. Indeed, many cities employ some variation of such budgeting practices, and Riverside could have continued doing so for many years without encountering serious financial difficulties.

However, reliance on such practices is not sustainable over the long term, and goes against the principles of prudence and conservatism in municipal budgeting – which are required to allow Riverside to grow and prosper while maintaining the level of excellent city services to which residents and business owners have become accustomed. In short, some bills now are coming due.

The city's new administration has spent several months working to institute the kind of fiscal discipline required to generate healthy and sustainable budgets well into the future. This process has been difficult at times for everyone involved. A \$1 million surplus projected for fiscal year 2015-16 – built on the type of budgeting we should no longer allow – has morphed into a shortfall of about \$8 million. This shortfall, if not corrected with sustainable ongoing measures, will result in a \$10-12 million budget hole in fiscal year 2016-17.

While the projected deficit numbers may seem scary, they are not surprising – the city has had an expenditure problem for years. While our revenues grow at a healthy rate, our expenditures – particularly the cost of employees' pensions, which is under the control of a

state agency – continue to increase faster. The city is now acting with foresight by recognizing the issue and proposing solutions to bridge these structural budget gaps. All city departments will recommend cuts to the council, and, while it is management's intent to minimize service reductions, those impacts are probably unavoidable in the face of a fiscal reckoning of this magnitude. Why? Because the only effective budgeting tool available to the council is service cuts; in California, most revenue increases require voter approval.

Riverside is shifting to a two-year budget, in which income and expenditures are forecast two full years in advance, not a mere 12 months. Moreover, Riverside will now pass its budget within the context of a five-year financial plan. This shift in time horizon, from one year to five years, demands a much more stringent approach to gathering data, ensuring that numbers are accurate, tracking trends and potential problems more closely, and calling for corrective budget action much earlier than in years past.

This approach to municipal budgeting is bound to find more potential issues that demand attention. Finding these developing problems and addressing them is a part of the cure, however, not the disease itself. As we hold ourselves to a higher budgetary standard, we must be careful not to confuse the two.

Unfortunately, some perennial critics of the city have confused the cure (early diagnosis of future budget challenges) with the disease (a negative imbalance between ongoing expenses and ongoing revenue). These folks have been frightening some Riversiders by proclaiming loudly that the city faces imminent bankruptcy.

Let us state unequivocally that the city of Riverside is not going bankrupt; in fact, the city could have continued on its prior path for many years without suffering financial doom. But we believe that our standard should be higher than the very "low bar" of "just don't go bankrupt." We are committed to a rational budget in which ongoing revenue meets ongoing expenses, and long-term capital needs, like road repair and tree trimming, are properly covered.

As Riverside moves through weeks of introducing, refining and, ultimately, approving a budget for fiscal years 2016-17 and 2017-18, there will be some bumps in the road. Residents and business owners may hear things that make them uncomfortable, and perhaps even a bit nervous about Riverside's financial health. But as we work through this difficult process, please keep in mind that Riverside is in good financial condition overall, and that this process is only going to make that even stronger.

We encourage everyone in Riverside to attend the council's budget hearings or go to EngageRiverside.com to let us know what you think and be a part of that solution. Together, we will ensure that our city's great past will be honored by an even greater future built upon sound and secure finances.

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