

# CHARTER REVIEW COMMITTEE PRESENTATION

— What is the purpose of a Charter Commission? How does it differ from a survey?

— The Charter Commission reflects a diverse, cross-section of Riverside representative of informed voters who are educated on the actual issues and debate options before making recommendations.

— The Commission viewed its role as evaluating Services Protection in the context of the overall budget, including the GFT, and the importance of addressing the legal concerns raised in *Parada* case.

— The strong takeaway is that the current GF is not sustainable due to the cost of personnel and pensions particularly associated with public safety. 80 percent of the \$280M GF is pensions and personnel and 60 percent of that 80 percent or \$220M is police/fire. Every elected official has acknowledged while running for office that the City faces serious structural deficit issues. Capping utility taxes would aid in addressing such issues now rather than kicking the can down the road yet again.

— The Charter Commission overwhelmingly rejected the 11.5 percent proposal of staff, because it incentivizes utility increases to subsidize the GF and does nothing to motivate the City to curb its overspending.

— The Charter Commission overwhelmingly favored the \$38 million cap initiative

— Utility Taxes

— The City currently receives over 70 Million a year from RPU in taxes in addition to what the City charges RPU for Services. This amount is substantially more than comparable cities.

— That amount reflects 23 percent of the General Fund.

--The current amount of the electrical GFT is \$38M. An additional \$20M million comes from electrical UUT. The GFT amount does not show up on customer's bills.

— The current utility transfers do not reflect the cost of providing utility-service which is why Parada prevailed. They are taxes unrelated to the cost of utilities. Reducing or eliminating the GF will not interfere with delivery of utility services and will reduce your electricity bill.

— The \$38M proposed by CRC has several benefits

— a cap eliminates any incentive to increase utility taxes to subsidize the GF.

— the \$38M is the current GFT transfer and would not result in ANY services being reduced and would reduce customer's bills at a time many are suffering financially. Any claims by surveyors or staff to the contrary are false.

— requiring a gradual reduction (\$1M annually) until reaching \$30 million or a charter revision incentivizes more fiscal discipline by council so that Riverside's services

are protected longer term. It also allows the CFO to know what the GF will be from one year to the next for planning purposes and avoids fluctuations requiring budget adjustments after the fact.

— The interim City Attorney has confirmed that the Charter Commission’s proposal would comply with the requirements of the Parada settlement.

## OTHER CONSIDERATIONS

The *Parada* litigation reflected a cavalier attitude on the part of the City’s attorneys who repeatedly were warned that failure to submit the 11.5 percent tax to the public had risks.

The general fund is potentially exposed to litigation in other areas:

1. Council should obtain an opinion on whether the UUT tax needs addressing before litigation is filed challenging its continued application.
2. Ward 4 and 5 voters approved the 11.5 tax on water even though many do not pay the tax forcing other Riversiders to subsidize them and resulting in the loss of millions to the GF. Western should be required to charge an additional 11.5 percent on those customers and pass it through to the City as it does with utility taxes.