4/29/2021 submitted by Tom Evans to Charter Review Committee for meeting 5/5/2021

Recommendation regarding revised Charter Section 1204 (f).

1- Eliminate the 11.5% GFT for electricity
2- Establish General Fund Support Payments as follows

   A - Transfer 100% of Net Non-Operating Revenue (NNOR) annually. Proceeds from the sale of surplus property cannot be categorized as NOR.

   B – Transfer $25 million In Lieu Franchise Fee annually effective 1/1/2022

   C – Reduce In Lieu Franchise Fee by $500k/yr. effective 1/1/2023

   D – Review $500k/yr. reduction every 8 years when the entire Charter is reviewed per section 1403.

   E – If after Charter Review, it is determined to change the $500k/yr. reduction, it must be submitted to the voters for approval. Otherwise, the annual reduction will continue until the In Lieu Franchise Fee reaches $15 mil at which time it will be frozen.

Rational – this recommendation decouples electric rates from a franchise payment to the City.

- It gives the electric customers a rate reduction since the GFT will not be part of the rate calculation
- It provides the city with a predictable revenue stream and revenue based on establishing a franchise arrangement just like other cities receive from their public utility supplier, e.g., SCE
- It provides an easy slope of reduction from the current revenue and gives the city time to make structural adjustments and cost containment measures.
- Transferring NNOR may provide a new revenue sources and encourage creativity while holding electric customers harmless from subsidizing NOR activities.
- Excluding proceeds from the sale of surplus property from NOR prevents the city from raiding the utility land holdings.