

Questions	Answers
What is the General Fund Transfer?	The General Fund Transfer (GFT) is revenue generated from RPU customers through an 11.5% charge on water and electricity in addition to a 6.5 percent charge from the Utility User Tax (UUT) and other charges, taxes and fees.
Is the GFT related to the cost of service. No.	As currently designed, the GFT is not related to the actual cost of delivering electricity and water. If the GFT ceased, the cost of electricity and water would be reduced; however, there would be other consequences to the citizens and residents of Riverside.
Where does it show on the RPU bill?	At the top righthand corner of the RPU bill is a statement that: "The total charges for water and electric services include an 11.5% General Fund Transfer (see Customer Information Insert)." Other than that, it does not show anywhere else. There is no line item on the bill for it.
Do all residents pay the GFT?	Yes and no. All RPU customers get charged the combined 18 GFT on electricity. Not all Riversiders purchase water from RPU. Customers receiving water from Western Municipal (mostly Ward 4) do not pay either the GFT but do pay the UUT.
How much revenue is transferred from RPU's GFT and UUT to the City's General Fund?	Approximately \$45 to \$50 million per year in GFT between both water and electricity and another \$20 million per year for the water and electricity UUT. The amount changes based upon consumption of electricity or water and depends upon rates. In 2018, the City Council approved a five-year increase in water and electricity rates. Electricity rate increases for 2021 was "stayed" due to Covid. Water increases continue.
How much revenue is transferred from RPU's Water GFT to the City's General Fund?	A little over \$6 million per year which does not include residents who receive water from Western Municipal (primarily Ward 4) since it does not pay for water from RPU.
Are there any other taxes on the RPU electric bill?	Yes, there are the following in addition to the GFT and UUT:  <b>Public Benefits Charge</b> State-mandated monthly surcharge of 2.85% of the total electric charge. Funds collected are used for low-income customer assistance, energy efficiency and conservation programs, renewable resources and energy research and development.
When was the Electrical GFT and UUT adopted by the voters	1907: GFT was approved in the City's first Charter, but at no set rate and only after all expenses, infrastructure projects, bond interest and principal payments were made. In the event any profits remained, Council could

	<p>vote each year to send remaining profits into the general fund. (See 02/17/21 agenda for exact verbiage).</p> <p>1952: When the City went to a City Council/City Manager form of government, the transfer was approved by voters with no set rate or percentage.</p> <p>1968: Approved by 54% of voters at 11.5% ISN'T THIS UP TO 11.5%</p> <p>1981: Approved by 64.5% of voters at UP TO 11.5%</p> <p>In 2014, following a court settlement in <i>Moreno v. City of Riverside</i>, the voters approved a GFT for water of up to 11.5 percent.</p> <p>We have been unable to determine whether and when the voters approved the utility users tax which is a general fund unrestricted transfer.</p>
<p>Why is this a problem?</p>	<p>In 2018, residents sued the City claiming that, since Proposition 26 was passed, that the City should have obtained voter approval to pass the GFT, and that failing to do so was a violation of Prop 18. The City admitted the transfer was not part of the cost of service but tried to argue that it could be satisfied the transfers through non-rate payer revenue. Unfortunately, the City does not have enough non-rate payer revenue to do so. The Court has not reached a final decision on this case.</p>
<p>What do the GFT and UUT fund?</p>	<p>The GFT is deemed 'unrestricted' funds. The \$65 million currently transferred between both the GFT and UUT equals 23 percent of the City's budget.</p>
<p>What happens if it goes away?</p>	<p>The City urgently needs a ballot initiative on the electrical GFT as it is facing both a large judgment and the inability to collect, at a minimum, approximately 14 percent of its current operating budget going with no other income to supplement the loss. This can mean a significant decrease in services particularly for non-safety related staff and programs. The precise impact of a judgment in <i>Parada</i> is unknown because the court has not yet ruled and because some of the general fund transfer can come from non-ratepayer revenue. However, the current projection is approximately \$30 million.</p>
<p>How did this happen??</p>	<p>The law interpreting Propositions 218 and 26 is very unsettled so arguably this is not anyone's fault though some in the public speculate that the City Attorney knew of the risk (particularly after the <i>Moreno</i> case) and the City continued collecting the electrical GFT. A copy of the</p>

	Moreno settlement executed by the City Attorney's office is attached.
What are the options to correcting this?	<ol style="list-style-type: none"> <li>1.) Recommend adopting of the ballot language forwarded to Charter on February 16, 2021, including approving an 11.5 electrical GFT.</li> <li>2.) Recommend repealing both the GFT and UUT and proposing a fixed amount capped at a 2021 transfers on both electrical and water or 2(a) a fixed dollar amount reduced over time.</li> <li>3.) Reduce the 11.5% incrementally over time down to some lower percentage</li> <li>4.) Recommend against passing any initiative which would eliminate electrical GFT altogether.</li> </ol> <p>The advantages of 2 and 3 is that it slowly weens the City away from such dependence on utility charges and delinks entirely the transfers from rate increases.</p>

What were the RPU Electrical GFT transfers in the past?	<table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Electric</th> <th>Rate</th> </tr> </thead> <tbody> <tr><td>1985-86</td><td>5,538,000</td><td>5.6</td></tr> <tr><td>1986-87</td><td>6,052,000</td><td>5.6</td></tr> <tr><td>1987-88</td><td>6,446,000</td><td>5.6</td></tr> <tr><td>1988-89</td><td>6,581,000</td><td>5.6</td></tr> <tr><td>1989-90</td><td>9,652,000</td><td>7.5</td></tr> <tr><td>1990-91</td><td>9,915,000</td><td>7.5</td></tr> <tr><td>1991-92</td><td>12,294,000</td><td>7.5</td></tr> <tr><td>1992-93</td><td>13,700,000</td><td>9.1</td></tr> <tr><td>1993-94</td><td>16,100,000</td><td>10.5</td></tr> <tr><td>1994-95</td><td>16,311,000</td><td>10.5</td></tr> <tr><td>1995-96</td><td>16,335,000</td><td>10.5</td></tr> <tr><td>1996-97</td><td>16,320,000</td><td>10.0</td></tr> <tr><td>1997-98</td><td>15,491,000</td><td>9.5</td></tr> <tr><td>1998-99</td><td>14,411,000</td><td>9.0</td></tr> <tr><td>1999-00</td><td>14,405,000</td><td>9.0</td></tr> <tr><td>2000-01</td><td>15,243,000</td><td>9.0</td></tr> <tr><td>2001-02</td><td>15,324,000</td><td>9.0</td></tr> <tr><td>2002-03</td><td>15,333,000</td><td>9.0</td></tr> <tr><td>2003-04</td><td>16,177,000</td><td>9.0</td></tr> <tr><td>2004-05</td><td>18,572,000</td><td>9.0</td></tr> <tr><td>2005-06</td><td>22,037,000</td><td>9.0</td></tr> <tr><td>2006-07</td><td>27,393,000</td><td>9.0</td></tr> <tr><td>2007-08</td><td>27,371,000</td><td>10.5</td></tr> <tr><td>2008-09</td><td>29,583,000</td><td>10.5</td></tr> <tr><td>2009-10</td><td>33,656,000</td><td>11.5</td></tr> <tr><td>2010-11</td><td>33,070,000</td><td>11.5</td></tr> <tr><td>2011-12</td><td>33,533,000</td><td>11.5</td></tr> <tr><td>2012-13</td><td>37,186,000</td><td>11.5</td></tr> <tr><td>2013-14</td><td>38,704,000</td><td>11.5</td></tr> <tr><td>2014-15</td><td>38,178,000</td><td>11.5</td></tr> <tr><td>2015-16</td><td>38,360,000</td><td>11.5</td></tr> <tr><td>2016-17</td><td>39,230,000</td><td>11.5</td></tr> <tr><td>2017-18</td><td>40,073,000</td><td>11.5</td></tr> <tr><td>2018-19</td><td>39,886,000</td><td>11.5</td></tr> </tbody> </table>	Fiscal Year	Electric	Rate	1985-86	5,538,000	5.6	1986-87	6,052,000	5.6	1987-88	6,446,000	5.6	1988-89	6,581,000	5.6	1989-90	9,652,000	7.5	1990-91	9,915,000	7.5	1991-92	12,294,000	7.5	1992-93	13,700,000	9.1	1993-94	16,100,000	10.5	1994-95	16,311,000	10.5	1995-96	16,335,000	10.5	1996-97	16,320,000	10.0	1997-98	15,491,000	9.5	1998-99	14,411,000	9.0	1999-00	14,405,000	9.0	2000-01	15,243,000	9.0	2001-02	15,324,000	9.0	2002-03	15,333,000	9.0	2003-04	16,177,000	9.0	2004-05	18,572,000	9.0	2005-06	22,037,000	9.0	2006-07	27,393,000	9.0	2007-08	27,371,000	10.5	2008-09	29,583,000	10.5	2009-10	33,656,000	11.5	2010-11	33,070,000	11.5	2011-12	33,533,000	11.5	2012-13	37,186,000	11.5	2013-14	38,704,000	11.5	2014-15	38,178,000	11.5	2015-16	38,360,000	11.5	2016-17	39,230,000	11.5	2017-18	40,073,000	11.5	2018-19	39,886,000	11.5
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What were the RPU water GFT in the past?	See Attached		
How does not approving an initiative impact the General Fund?	<p>The General Fund is \$280 Million  Payroll and personnel is approximately \$224 Million  Of the \$224 Million, approximately \$149 million is payroll for public safety and fire whose salaries are set through MOUs that make reductions difficult.  Departments have made presentations to the Budget Engagement Commission showing how a 14 percent electrical GFT reduction impacts their operations.</p>		
What do other City's do?	<p>It is difficult to compare city's budgets for several reasons.</p> <ol style="list-style-type: none"> <li>1. The inland empire receives a disproportionately low amount of property tax from the state based on unfair formulae benefiting the coastal cities so our municipal governments must look to other revenue sources.</li> <li>2. Riverside is a full service city, i.e., we don't contract out major services such as police, trash or electrical.</li> <li>3. Corona, for example, pays a 2 percent franchise fee to SCE and has a 6.5 percent UUT so its residents pay 8.5 percent on their utility bills versus Riverside at 18 percent.</li> <li>4. Riverside's other sources of income generally include Measure Z, business taxes, TOT (hotel occupancy) and other grants. The City cannot anticipate any significant increase in economic development that would materially jumpstart its budget. It also faces mounting pension debt though it passed pension obligation bonds that soften and spread out those costs. Therefore, the City has to realistically address its budget shortfalls. Increases in rates currently increase the General Fund which, in turn, increase rates and salaries of RPU personnel which, in turn, increase the cost of service justifying rate increases. This is not sustainable. Further, as rates increase customers use less water and electricity which similarly impacts the GFT.</li> </ol>		
Examples of Utility Taxes paid by other cities	See Attached		