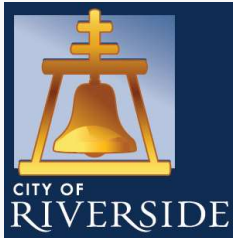


REVISED

Added slides 14-15



GENERAL FUND TRANSFERS FROM PUBLIC UTILITIES DEPARTMENT

Riverside Public Utilities

City Council Workshop

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WHAT IS THE GENERAL FUND TRANSFER (GFT)?

The General Fund Transfer (GFT) is the City's annual budgetary transfer from its electric utility and water utility to its general fund for general revenue purposes.

The combined General Fund Transfer or GFT for the **electric utility** and the **water utility** amounts to



\$50.5M
to the general fund
for fiscal year ended
June 2023.



The source of authority resides in the City Charter subsections **1204.1** and **1204.2**. The voters established the GFT by way of a ballot measure in 1907. Over the past 116 years, voters have approved 6 ballot measures in support of the GFT with the most recent ballot measure approval in 2021.



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General Fund Transfer - History

1907 – Majority vote established City Charter

Provides authority for the City to enact certain legislation over its municipal affairs

General Fund Transfer (GFT), Section 172(4)

Providing funding for the general fund of the City through a transfer from the public utilities department was established



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History

The 1953 Charter, and as amended in 1967, introduced Section 1304 to revise the prior Section 172(4) guidance.

Section 1304, "Use of Revenue" states:

Each public utility shall be kept separate and apart from all other moneys of the City and shall be used for the purposes and in the order as follows:

- a) Payment of operating and maintenance expenses
- b) Payment of interest on bonded debt
- c) Payment of principal of said debt
- d) Payment for capital expenditures
- e) Payment into the contingency reserve fund, and
- f) ***The remainder shall be paid into the general fund***



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History

June 4, 1968 – Majority Vote

Charter amendments effective July 16, 1968 replaced in full previous language from Section 1304(f) with the following:

f) For the annual payment by each utility into the general fund in twelve (12) equal monthly installments during each fiscal year, an amount equal to 11.5% of the gross operating revenues, exclusive of surcharges, of each specific utility for the last fiscal year ended and reported upon by independent public auditors.



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History

2013 – Majority Vote

Added section 1204.1 to City Charter which approved the continued transfer of funds from the City water utility to the general fund as previously approved by city voters per the 1907, 1952, 1968 and 1977 ballot measures.

The revenue of the water public utility for each fiscal year shall be kept separate and apart from all other moneys of the City by deposit in the appropriate revenue fund and shall be used for the purposes and in the order set forth in Section 1204 and for the annual payment by water utility into the general fund in twelve equal monthly installments during each fiscal year, an amount not to exceed 11.5 percent of the gross operating revenues, exclusive of surcharges, of the water utility for the last fiscal year ended and reported upon by independent public auditors. The proceeds shall be used to maintain local general purposes as the City Council may by budget or other appropriation direct such as 9-1-1 response, police patrols/fire protection, children's after-school and senior/disabled services, and protect supplies of clean drinking water from contamination.



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History

November 8, 1977 – Majority Vote

Charter amendment to Section 1304(f), per ballot Measure A:

To provide that City-owned electric and water utilities may each pay an amount to the City's general fund which could be less than the current required 11.5% of gross operating revenues. This voter action rescinded the fixed annual payment of 11.5% from each public utility and created the current practice today of providing, in the form of a GFT, an amount not to exceed 11.5% of gross operating revenues of both the electric and water utilities.



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History

November 2, 2021 – Majority Vote, Ballot Measure C

The City's continuance of "...collecting in electric rates and maintain the voter-approved fund transfer (established 1968) and limited to 11.5% of gross revenue, providing approximately \$40,000,000 annually to the City of Riverside's General Fund not increasing tax or utility rates, until ended by voters."



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History

2013 – Majority Vote, Ballot Measure C

Added Section 1204.2 to the Charter, Electric Utility Revenue

The revenue of the electric public utility for each fiscal year shall be kept separate and apart from all other moneys of the City by deposit in the appropriate revenue fund and shall be used for the purposes and in the order set forth in Section 1204 and The revenue of the electric public utility for each fiscal year shall be kept separate and apart from all other moneys of the City by deposit in the appropriate revenue fund and shall be used for the purposes and in the order set forth in Section 1204 and for the annual payment by the electric utility into the general fund in twelve equal monthly installments during each fiscal year, an amount not to exceed 11.5 percent of the gross operating revenues, exclusive of surcharges, of the electric utility for the last fiscal year ended and reported upon by independent public auditors. The proceeds shall be used to maintain local general purposes as the City Council may by budget or other appropriation direct such as 9-1-1 response, fire, paramedic, police, street repairs, parks, senior services, homelessness and other general services.

(Res. 23739 § 1(Att. A), 2021)



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CALIFORNIA PROPOSITIONS AFFECTING THE GFT

- **1996:** California voters passed **Proposition 218**, a constitutional amendment requiring taxes or property-related assessments, fees and charges to be approved by ballot measure with a two-thirds majority vote for "special taxes", and at a *regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body*, a majority vote is required for "general governmental purposes".
- **2010:** California voters passed **Proposition 26** which provided that certain fees and charges must be approved by voters.



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CALIFORNIA PROPOSITIONS AFFECTING THE GFT

Proposition 218 (1996)

- Local Governments must obtain majority voter approval for any new or increased general tax
- Voters may repeal or reduce any local tax, assessment, fee or charge
- Local governments must put all assessments, charges and fees to a vote of the people before imposition or increase
- Benefit assessment must be calculated by the benefit received by each parcel of real property
- Local governments prohibited from imposing fees on property owners for services that are available to the public at large (e.g., police and fire services)

Proposition 26 (2010)

- Redefined "Tax" to mean any levy, charge or exaction of any kind imposed by a local government, except for seven specifically defined exceptions that are considered fees
- Fees and charges that do not fit one of the seven exceptions must receive voter approval

*Adapted from California Special Districts Association table titled, "Voter Initiatives Restricting Local Revenue"



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LEGAL CHALLENGES TO THE GFT

- **2012:** The **Moreno v. Riverside** case challenged Riverside's GFT imposed on the water utility.
- **2013:** The parties settled the matter with terms including **the end of the water utility transfer**, and an agreement that the City **refund \$10M to the water utility**.
- **2018:** The City was served with a lawsuit titled **Parada et al. v. City of Riverside**.
- **2021:** The parties reached a **Conditional Settlement Agreement**

November 2, 2021: City residents voted and approved the ballot **Measure C**. Prior to that election, a lawsuit was filed by Riversiders Against Increased Taxes, challenged the date of the Measure C election. That lawsuit is currently in Remedy Phase.



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CURRENT CALCULATION OF THE GFT

Water Fund - General Fund Transfer for Fiscal Year 2022/23 from Fiscal Year 2021/22 activity		Electric Fund - General Fund Transfer for Fiscal Year 2022/23 from Fiscal Year 2021/22 activity	
Retail Sales, (Net of Uncollectibles) Net of Changes in Billed Utility Accounts Receivables (A/R) and Allowance for Uncollectible A/R from prior year.	\$72,201,111	Retail Sales, (Net of Uncollectibles) Net of Changes in Billed Utility Accounts Receivables (A/R) and Allowance for Uncollectible A/R from prior year.	\$334,737,543
Plus Other Operating Revenue	\$551,495	Plus Transmission Revenue	\$32,245,109
Excluding revenue from Surcharge area Outside City	(1,713,105)	Plus Other Operating Revenue	\$1,068,016
Total Gross Operating Revenue	\$71,039,502	Total Gross Operating Revenue	\$368,050,668
Multiplied by the General Fund Transfer Rate	11.5%	Multiplied by the General Fund Transfer Rate	11.5%
Total Water fund General Transfer Amount	\$8,169,500	Total Electric fund General Transfer Amount	\$42,325,800

Calculations are based on actual gross operating revenues with actuals through the end of each fiscal year as defined in Charter Section 1204.1 for the water utility and 1204.2 for the electric utility. 2010: California voters passed Proposition 26 which provided that certain fees and charges must be approved by voters. 13



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HISTORY OF THE GFT

Fiscal Year	Electric	Rate	Water	Rate
1985-86	5,538,000	5.6	1,667,000	11.5
1986-87	6,052,000	5.6	1,763,000	11.5
1987-88	6,446,000	5.6	1,814,000	11.5
1988-89	6,581,000	5.6	1,835,000	11.5
1989-90	9,652,000	7.5	1,895,000	11.5
1990-91	9,915,000	7.5	1,948,000	11.5
1991-92	12,294,000	7.5	1,836,000	11.5
1992-93	13,700,000	9.1/11.5	2,000,000	11.5
1993-94	16,100,000	10.5	2,100,000	11.5
1994-95	16,311,000	10.5	2,102,000	11.5
1995-96	16,335,000	10.5	2,101,000	11.5
1996-97	16,320,000	10.0	2,408,000	11.5
1997-98	15,491,000	9.5	2,649,000	11.5
1998-99	14,411,000	9.0	2,600,000	11.5
1999-00	14,405,000	9.0	2,943,000	11.5

Source: Charter Review Committee Report 5/05/21 14



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HISTORY OF THE GFT

Fiscal Year	Electric	Rate	Water	Rate	Fiscal Year	Electric	Rate	Water	Rate
2000-01	15,243,000	9.0	3,023,000	11.5	2010-11	33,070,000	11.5	5,847,000	11.5
2001-02	15,324,000	9.0	2,974,000	11.5	2011-12	33,533,000	11.5	6,258,000	11.5
2002-03	15,333,000	9.0	3,182,000	11.5	2012-13	37,186,000	11.5	6,579,000	11.5
2003-04	16,177,000	9.0	3,163,000	11.5	2013-14	38,704,000	11.5	6,991,000	11.5
2004-05	18,572,000	9.0	3,487,000	11.5	2014-15	38,178,000	11.5	7,098,000	11.5
2005-06	22,037,000	9.0	3,539,000	11.5	2015-16	38,360,000	11.5	6,430,000	11.5
2006-07	27,393,000	9.0	3,928,000	11.5	2016-17	39,230,000	11.5	5,673,000	11.5
2007-08	27,371,000	10.5	4,955,000	11.5	2017-18	40,073,000	11.5	6,173,000	11.5
2008-09	29,583,000	10.5	5,276,000	11.5	2018-19	39,886,000	11.5	6,584,000	11.5
2009-10	33,656,000	11.5	5,657,000	11.5	2019-20	39,557,800	11.5	6,518,200	11.5

Source: Charter Review Committee Report 5/05/21 15



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GFT USE

City Services

Police	Water	Recreation
Fire	Electricity	Afterschool Programs
Streets	Parking	Senior Services
Parks & Trails	Planning	Festivals & Events
Voting & Civic Engagement	Refuse & Sewer	Library & Museums
311	Community Centers	And More

The GFT brings resources that are important to help maintain infrastructure, maintain safety, and improve the economy, quality of life and protect the environment.

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GFT IMPACT ON GENERAL FUND

General Fund's three largest revenue sources are

Sales Tax

Property Tax

The GFT

66%

of the General Fund's
FY 2022/23 revenue.

GFT HELPS TO STABILIZE GENERAL FUND

The GFT accounted for

15% - 17%

of total General Fund revenues
over the past five fiscal years.



FY 2022/23, the GFT
provided approximately

\$50.5M

to the General Fund



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GENERAL FUND EXPENDITURE BUDGET

General Fund FY 2023/24 Adopted Budget

Personnel & Retirement	\$ 256,744,172
Non-Personnel Operating Costs	77,699,015
Minor Capital/Facilities Maintenance	1,301,613
Debt Service	28,878,510
Operating Contributions	5,453,990
Subtotal	\$ 370,077,300
Charges to Others	(42,989,845)
General Fund Budget	\$ 327,087,455



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IMPACT OF A TOTAL GFT LOSS

Water GFT provided

\$8.2 M
to the General Fund
in FY 2022/23

On September 19, 2023, the City Council directed staff to place all future **Water General Fund Transfer** collections into a **reserve account** pending the outcome of litigation. As a result, the City will be required to **reduce** its **total expenditure budget** by **approximately 2.6%** in future fiscal years.

Electric GFT provided

\$42.3 M
to the General Fund
in FY 2022/23

~ 13%
of General Fund
revenues

- Revenue loss would be **absorbed** by General Fund departments.
- Require **reduction** of public services & internal support services.



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EXAMINATION OF ALTERNATIVES



Ballot
Measure



Interim
Measure



Utility Users'
Tax



Balanced
Approach



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BALANCED APPROACH

Adopt a Balanced Approach model that considers the below to help address the issue of replacing potential revenue losses from the GFT.

- ✓ Identify the need and establish a goal/target in financial and functional terms
- ✓ Evaluate available capacity in existing revenue streams
- ✓ Consider the value of Public-Private Partnership in the delivery of specific services
- ✓ Prioritize initiatives that promote new development & economic growth
- ✓ Leverage existing City assets/resources to stimulate local economic activity
- ✓ Conduct a comprehensive review of City expenditures/programs to identify potential savings
- ✓ Create a community engagement process



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STRATEGIC PLAN ALIGNMENT



Priority #5 – High Performing Government

Goal 5.3 – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision-making.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the City Council:

1. Conduct a workshop on the General Fund Transfers;
2. Direct the City Manager regarding the options relating to the Water General Fund Transfer; and
3. Direct the City Manager regarding the options relating to the Electric General Fund Transfer.



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