

BALLOT MEASURE TO AMEND THE CITY CHARTER ADDING SECTION 1204.2 ON ELECTRIC UTILITY REVENUE

City Manager's Office

City Council
July 20, 2021

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BACKGROUND

1. The electric utility portion of the General Fund Transfer (GFT) currently provides approximately \$40 million annually, or 14% of the total General Fund operating budget.
2. City voters have approved the General Fund Transfer at three separate elections:
 - a. City Charter has called for transfers from its electric utility to the General Fund since voters adopted the first Charter in 1907.
 - b. In 1968, voters adopted a Charter amendment allowing a General Fund Transfer (GFT) in "an amount not to exceed 11.5%" of the utilities' gross operating revenues for the prior fiscal year.
 - c. This language was approved again by 74% of Riverside voters in 1977.

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COMMUNITY ENGAGEMENT

1. March 2021 - City launched The Riverside Discussion to receive stakeholder feedback on City service needs and priorities;
2. Over 1,800 participants provided feedback; community priorities include:
 - ✓ Addressing homelessness
 - ✓ Maintaining Police and Fire/Paramedic services
 - ✓ Investigating and Preventing property crimes
 - ✓ Keeping public areas and parks clean and safe
 - ✓ Retaining local businesses
 - ✓ Preparing for and recovering from public health emergencies
 - ✓ Preventing and preparing for wildfires
 - ✓ Maintaining street repairs
3. The City has a responsibility to maintain its local funding and financial stability to continue providing these essential services.



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CITY COUNCIL REFERRAL TO COMMITTEE Riverside Services Protection Measure

1. Charter section 1404 requires a review and recommendation, but not approval, of a Charter amendment by the Charter Review Committee
2. On February 16 and April 27, 2021, City Council referred a proposed Charter amendment to the Charter Review Committee for consideration:

Charter Amendment, Sec. 1204.2. – 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 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.



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CITY COUNCIL REFERRAL TO COMMITTEE

Riverside Services Protection Measure

3. The proposed ballot measure for this Charter amendment is as follows:

City of Riverside Services Protection Measure.

To maintain such general city services as 911 response, fire, paramedic, police, street repairs, parks, senior services; address homelessness; shall the measure amending City of Riverside's Charter to continue collecting in electric rates and maintain the voter-approved fund transfer (established 1968), limited to 11.5% of gross revenue, providing approximately \$40,000,000 annually to City of Riverside's General Fund not increasing tax or utility rates, until ended by voters, requiring audits/ all funds controlled locally, be adopted?



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CHARTER REVIEW COMMITTEE PROPOSAL

The Fiscal Responsibility Act of 2021

1. On July 6, 2021, the Charter Review Committee recommended an alternative Charter amendment to the City Council:

Charter Amendment, Sec. 1204.2 – 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 purposes and in the order set forth in Section 1204 and for the annual payment by the electric utility into the general fund as set forth in Section 1204(f), except as set forth in this section. For the electric utility, the annual payment required under Section 1204(f), beginning on January 1, 2022, shall not exceed \$38,000,000. The amount of the annual maximum payment shall then decrease by \$1,000,000 in each subsequent calendar year, until the amount of the maximum annual payment does not exceed \$30,000,000. The proceeds of the annual payment shall be used to maintain local general purposes as the City Council may by budget or other appropriation direct including but not limited to 911 response, fire, paramedic, police, street repairs, parks, senior and/or disabled services, homelessness services, and other general services.



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CHARTER REVIEW COMMITTEE PROPOSAL

The Fiscal Responsibility Act of 2021

2. The proposed Ballot Measure for the Charter amendment proposed by the Charter Review Committee is as follows:

The Fiscal Responsibility Act of 2021

Shall the measure, adopting Section 1204.2 to the City Charter*, beginning January 2022, discontinuing the 11.5% tax on electricity, replacing it with a \$38 million fixed amount transferred from Riverside Public Utility to the unrestricted general fund which amount will be reduced annually by \$1 million until this reduction reaches \$30 million and continuing until ended by the voters, be adopted?

**The Ballot measure proposed by the Charter Review Committee does not reference the amendment to the City Charter; therefore, City Attorney recommends adding this non-substantive change to the ballot question.*



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COMPLIANCE WITH SETTLEMENT AGREEMENT

1. *Parada v. City of Riverside* sought a refund of the transferred monies and a court order preventing the City from continuing the electric GFT unless voter approval is obtained.
2. Settlement announced on May 19, 2021, requiring the City to place a measure on the ballot allowing voters to consider the GFT as a general tax and approve that rate proceeds may fund the tax.
3. Paradas can challenge the Charter amendment as not complying with settlement agreement; both proposals were reviewed by their attorneys:
 - a) Paradas' attorney orally stated that the **City Council referred Charter amendment** and ballot measure **does comply** with the settlement agreement;
 - b) Paradas' attorneys orally stated that the **Charter Review Committee's proposed Charter amendment** and ballot measure **does not comply** with the settlement agreement.



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COMPLIANCE WITH SETTLEMENT AGREEMENT

4. The City Attorney recommends the following change to ballot measure proposed by the Charter Review Committee, if selected by the City Council:

a) Sec. 1204.2 – 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 purposes and in the order set forth in Section 1204 and for the annual payment by the electric utility into the general fund as set forth in Section 1204(f), except as set forth in this section. For the electric utility, the annual payment required under Section 1204(f), beginning on January 1, 2022, shall not exceed \$38,000,000. The amount of the annual maximum payment shall then decrease by \$1,000,000 in each subsequent calendar year, until the amount of the maximum annual payment does not exceed \$30,000,000. The proceeds of the annual payment shall be used to maintain local general purposes as the City Council may by budget or other appropriation direct including but not limited to 911 response, fire, paramedic, police, street repairs, parks, senior and/or disabled services, homelessness services, and other general services.



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COMPLIANCE WITH SETTLEMENT AGREEMENT

b) The Fiscal Responsibility Act of 2021

Shall the measure, **adopting Section 1204.2 to the Charter**, beginning January 2022, **approving** the 11.5% tax on electricity, **not to exceed an annual** \$38 million fixed amount transferred from Riverside Public Utility to the unrestricted general fund which amount will be reduced annually by \$1 million until this reduction reaches **a not to exceed annual cap of** \$30 million and continuing until ended by the voters, be adopted?



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Charter Review Committee Proposal, July 16, 2021

On July 16, 2021, the Charter Review Committee adopted a new proposed Charter Amendment and ballot measure:

Sec. 1204.2 – 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 purposes and in the order set forth in Section 1204 and for the annual payment by the electric utility into the general fund as set forth in Section 1204(f), except as set forth in this section. For the electric utility, the annual payment required under Section 1204(f), beginning on January 1, 2022, shall not exceed \$38,000,000. The amount of the annual maximum payment shall then decrease by \$1,000,000 in each subsequent calendar year, until the amount of the maximum annual payment does not exceed \$30,000,000. The proceeds of the annual payment shall be used to maintain local general purposes as the City Council may by budget or other appropriation direct including but not limited to 911 response, fire, paramedic, police, street repairs, parks, senior and/or disabled services, homelessness services, and other general services. The amount of the transfer shall appear on electric customer utility bills.

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Charter Review Committee Proposal, July 16, 2021

Services Protection Fiscal Responsibility Act To maintain general services like 911, police, fire and homelessness response while gradually reducing utility taxes, shall the measure amending the City Charter to approve and cap the 11.5% electricity tax transferred to unrestricted general funds to \$38,000,000 beginning 2022, and thereafter reduced by \$1,000,000 annually for eight years to \$30,000,000, with the amount taxed appearing on customer bills, until ended by voters, be adopted?

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COMMUNITY ISSUES SURVEY

1. June 2021 – City retained FM3 to conduct a survey of 605 registered voters to assess community response to The Riverside Services Protection Measure and the Charter Review Committee’s recommended measure.
2. Two-thirds of respondents (60%) initially support the Riverside Services Protection Measure and indicated they would vote in favor of re-authorizing the transfer:
 - a) 22% of respondents indicated they would oppose it and 12% were undecided
3. Just over a third of respondents (36%) indicated they would vote to support the Charter Review Committee’s recommended measure:
 - a) 35% of respondents indicated they would vote against it and 30% were undecided



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GFT IMPACT TO RPU

1. If RPU reduced or stopped collecting the 11.5% electric GFT, it would require new rates to be established and approved by the RPU Board and City Council through a new rate setting process, including public meetings, rate adoptions, and potential new challenges.
2. The current electric GFT is 11.5% of the electric rates. Any reduction to the electric GFT could result in a very similar reduction to the currently approved electric rates.
3. The Electric GFT supports staff and services in the General Fund Departments that provide internal services for the entire City, including RPU (i.e. Finance, HR, IT, General Services). If reductions occur to any of these departments, the efficiencies realized through using the internal service departments will be lost, which will negatively impact RPU’s project timelines and require RPU to fund additional staff or outsource of these functions.
4. Any reductions to the primarily General Funded portion of the One Stop Shop would reduce RPU’s ability to support new businesses development in Riverside.



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GFT IMPACT TO THE GENERAL FUND

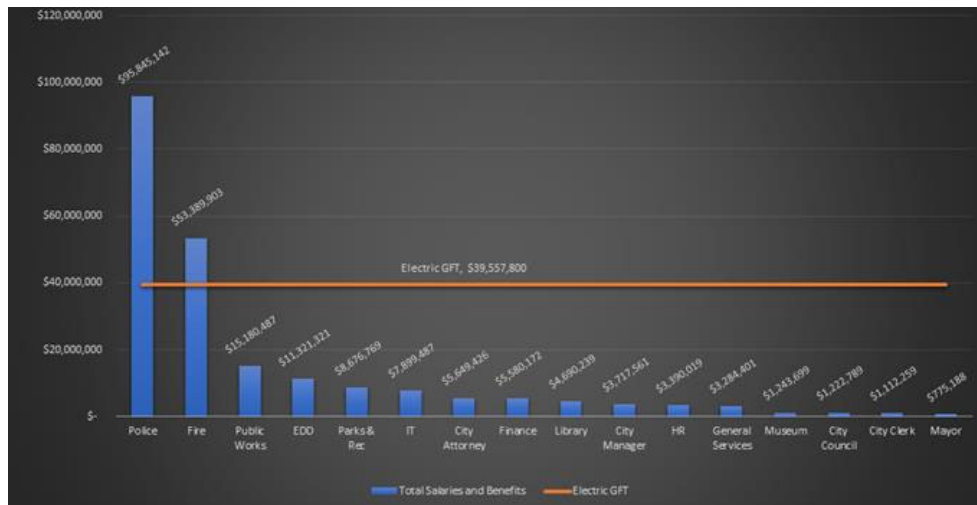
1. 77% of General Fund Budget is Personnel related. Remaining 23% relates to contracted services, debt service and other general expenses.
 - Not a lot of discretionary funding to address loss of GFT
2. Impact to services is likely and would be equitably allocated across all general fund departments.
 - The City would either need to reduce window hours at City Hall and satellite city locations or add additional closure days.
 - Closures to recreational and cultural facilities and reduction in responses time across all services both internal and external would also occur.
 - Reduction in administrative support to all other funds would be impacted likely resulting in additional costs to those funds to maintain expected service levels.



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GFT IMPACT TO THE GENERAL FUND



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BALLOT ARGUMENTS

1. Elections Code Section 9282 provides that a member(s) of the legislative body may file a written argument for or against any city measure to be printed in the voter information guide.
2. Ballot arguments must be accompanied by the printed name(s) and signature(s) of the author(s), with no more than five signatures on any argument.
3. If more than one argument for or against any measure is submitted, one will be selected based on the following preference and priority:
 - a) The City Council, or one or more Councilmembers authorized by the Council
 - b) An individual voter, or bona fide association of citizens, or combination of voters and associations who are sponsors or proponents of the measure
 - c) Bona fide association of citizens
 - d) Individual voters who are eligible to vote on the measure



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RECOMMENDATIONS

That the City Council:

1. Adopt the attached Resolution proposing an amendment to the City Charter, with the option of selecting the:
 - a. "The Fiscal Responsibility Act of 2021" as proposed by the Charter Review Committee; OR
 - b. "The Riverside Services Protection Measure" as referred by the City Council to the Charter Review Committee on April 27, 2021; OR
 - c. Both; OR
 - d. Consider other options as stated in this report;



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RECOMMENDATIONS CONTINUED

2. Adopt the attached Resolution calling a special municipal election to be held on November 2, 2021, for the purpose of submitting to the qualified electors of the City of Riverside an amendment to the City Charter with the option of selecting either:

a. "The Fiscal Responsibility Act of 2021" as proposed by the Charter Review Committee; OR

b. "The Riverside Services Protection Measure" as referred by the City Council to the Charter Review Committee on April 27, 2021; OR

c. Both; OR

d. Consider other options as stated in this report

3. Direct Staff to substitute the "Services Protection Fiscal Responsibility Act" for "The Fiscal Responsibility Act of 2021 in the resolutions referenced in Recommendation Nos. 1 and 2 prior to adoption; and

4. Determine if the Mayor or Members of the City Council wish to author ballot arguments.

