



*City of Arts & Innovation*

# City Council Memorandum

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**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: APRIL 27, 2021**

**FROM: CITY MANAGER'S OFFICE      WARDS: ALL**

**SUBJECT: PROPOSED AMENDMENT TO THE CITY CHARTER FOR THE RIVERSIDE SERVICES PROTECTION MEASURE AND COMMUNITY ISSUES SURVEY EXECUTIVE SUMMARY**

## **ISSUE:**

Refer to the Charter Review Committee a proposed amendment to the City Charter based on the City of Riverside Services Protection Measure; recommend a schedule for the Charter Review Committee to review and make a recommendation as to the City of Riverside Services Protection Measure; and receive an executive summary of the City of Riverside Community Issues Survey.

## **RECOMMENDATIONS:**

That the City Council:

1. Refer to the Charter Review Committee a proposed amendment to the City Charter based on the City of Riverside Services Protection Measure for review and consideration;
2. Recommend the Charter Review Committee review and make a recommendation as to the proposed amendment to the City Charter by June 16, 2021; and
3. Receive an executive summary of the City of Riverside Community Issues Survey.

## **BACKGROUND**

Riverside voters have already voted four times to enact a City Charter provision that allows the City-owned electric utility to transfer a fixed percentage of electric fund revenues into the City's General Fund, which provides essential funding for community services such as police, fire, children's after-school programs, senior/disabled services.

The City Charter (Charter) has called for transfers from its electric utility to the General Fund since voters adopted the first Charter in 1907. The original Charter provided that utility rates "should preferably, but not necessarily, yield a reasonable profit and interest on the investment to the city..." and it further stated that, on an annual basis, any funds remaining after the utilities have paid their specified expenses must be transferred to the General Fund. City voters approved that language again in 1952 when the City changed its form of government from a strong mayor form

of government to City Council/City Manager form of government with an extensive change to the Charter.

In 1968, Riverside voters adopted a Charter amendment that specifically called for a general fund transfer from utilities in “an amount equal to 11.5% of the [utilities] gross operating revenues.” City Charter Section 1204, subdivision (f), currently allows a water transfer and a electric transfer in “an amount not to exceed 11.5%” of the utilities’ gross operating revenues for the prior fiscal year. This language was approved by 54% of Riverside voters in 1968. In 1981, voters again approved the electric transfer by 64.5%.

Subsequent to those approvals, Proposition 218 was adopted by voters of the state in 1996 and Proposition 26 in 2010. Both of those propositions amended the California constitution to provide that certain fees and charges imposed by public agencies must be approved by voters. In general, if the fee or charge for the service exceeded the cost to provide that service, voters must approve the fee or charge. For utilities, Proposition 218 applies to water service and Proposition 26 applies to electric service. Neither of these propositions apply to an investor-owned or privately-owned utility.

As recent as June 4, 2013, as required by Proposition 218, voters approved the water transfer by a vote of 68% to add Section 1204.1 to the Charter authorizing the continued transfer of funds from the City water utility revenue to the General Fund in an amount not to exceed 11.5% of the gross operating revenues.

## **DISCUSSION:**

The Electric utility transfer funds provide a locally controlled revenue source to the General Fund. Combined with other sources of General Fund revenue (sales tax, property tax, utility users’ tax, etc.), the General Fund funds vital governmental services that the City provides its residents, business and property owners, and visitors. Particularly in times like this, the City faces tremendous pressure on its budget from the economic impacts of the Coronavirus. Riverside has a responsibility to maintain its local funding and financial stability to continue providing the essential services residents rely on. These services include, but are not limited to, 911 response, fire, paramedic, police, street repairs, parks, senior services, homelessness and other general services. The Electric Transfer funds are critical to advancing the City Council’s Envision Riverside 2025 Strategic Plan priorities of: Arts, Culture and Recreation; Community Well-Being, Economic Opportunity; Environmental Stewardship; High Performing Government; and Infrastructure, Mobility and Connectivity.

The Electric Transfer currently provides approximately \$40 million annually, or about 14% of the total General Fund operating budget. Losing this revenue source would require significant budget cuts from the services noted above. In addition to this potential loss of revenue, the City is also dealing with the uncertainty of the COVID-19 pandemic, an ongoing structural deficit that approaches approximately \$15 million annually, and the economic impacts of the pandemic such as business closures and rising unemployment that could further impact the City budget.

To maintain this critical General Fund revenue source, which has been a revenue source funding public services in the City of Riverside for at least over 50 years (if not from the City’s founding as a charter city) staff is recommending that the voters consider a ballot measure which would amend the Riverside City Charter to add a section confirming the Electric Transfer, limited to 11.5% of gross revenue. Under Charter section 1404, the Charter amendment requires a review and

recommendation, but not approval, by the Charter Review Committee before the City Council's consideration to place the measure on the ballot.

### Riverside Services Protection Measure

On February 16, 2021, the City Council referred the Riverside Services Protection Measure (Measure) to the Charter Review Committee for review and consideration to place on the November 2, 2021 ballot. While the City Council's action referenced the Measure by name, it did not include the proposed language for the Charter amendment as referenced by Section 1404 of the City Charter. Therefore, staff is recommending that the City Council provide a subsequent referral of the Measure to the Charter Review Committee, which includes the following proposed amendment to the City Charter:

#### 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.

### Recommended Schedule

August 6, 2021 is the last day to place a measure on the November 2, 2021 ballot. In order to meet this deadline, staff is recommending that the Charter Review Committee provide their review and recommendation on the proposed Charter amendment to the City Council no later than June 16, 2021. To meet Sunshine Ordinance requirements, a staff report would need to be published by June 4, 2021. This will ensure the City Council has enough time to consider and respond to the Charter Review Committee's recommendation prior to their consideration to place the Measure on the ballot before the August 6, 2021 deadline.

### Community Issues Survey

In January 2021, the City enlisted the services of Fairbank, Maslin, Maulin, Metz & Associates (FM3), a California-based research firm, to conduct a survey of Riverside residents to examine community satisfaction and funding priorities. The study found that a strong majority of respondents support amending the City Charter to maintain local funding by continuing the existing practice of transferring utility revenue to the City's General Fund for use on services such as 911 response, police/fire, homelessness, and parks.

The dual-mode survey was conducted online and by telephone between January 7-14, 2021 among a random sample of over 700 residents. Key findings from the survey are summarized in Attachment 1 and include the following:

- 71% of respondents rated Riverside Public Utilities as doing an excellent/good job.
- 65% of respondents rated the Police Department as doing an excellent/good job.
- 88% of respondents rated the Fire Department as doing an excellent/good job

- More than two-thirds of all respondents indicated they support a voter-reauthorization of a budget measure that transfers the City's utility revenue to the general fund for use on services such as 911 response, police/fire, homeless needs, and parks.
- Respondents prioritized ensuring local funding is maintained for public safety services such as 911 response, fire and paramedic services, keeping public areas and parks clean and safe, and addressing homelessness, among other priorities.

### **FISCAL IMPACT:**

The fiscal impact associated with the Electric Transfer totals approximately \$40 million in annual General Fund Revenue. The fiscal impact associated with placing the City of Riverside Services Protection Measure on the November 2, 2021 ballot is estimated to be \$165,000 and funding is available in the "City Clerk Election Services" Account No. 1205000-421000.

An effort to inform the community about the reason for the ballot measure is also recommended, with the cost of this effort estimated at \$25,000. Funding is available in the "N/D-City Mgr-Sundry/Gen Gov't" Account No. 7211200-450247.

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Approved as to form: Kristi J. Smith, Interim City Attorney

### **Attachment:**

1. Community Issues Survey Summary
2. Presentation