



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 15, 2021

FROM: CITY MANAGER'S OFFICE WARDS: ALL

SUBJECT: FIRST AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH FAIRBANK, MASLIN, MAULLIN, METZ & ASSOCIATES, INC. FOR A FOLLOW-UP VOTER SURVEY TO ASSESS THE VIABILITY OF VARIOUS POTENTIAL REVENUE MEASURES IN THE AMOUNT OF \$39,500 FOR A TOTAL CONTRACT COST OF \$79,000

ISSUE:

Approve a First Amendment to Professional Consultant Services Agreement with Fairbank, Maslin, Maullin, Metz & Associates, Inc. for a follow-up voter survey to assess the viability of various potential revenue measures in the amount of \$39,500, for a total contract cost of \$79,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the First Amendment to Professional Consultant Services Agreement with Fairbank, Maslin, Maullin, Metz & Associates, Inc. for a follow-up voter survey to assess the viability of various potential revenue measures in the amount of \$39,500, for a total contract cost of \$79,000 and to extend the term through December 31, 2021; and
2. Authorize the City Manager, or his designee, to execute the First Amendment to Professional Consultant Services Agreement with Fairbank, Maslin, Maullin, Metz & Associates, Inc, including making minor and non-substantive changes.

BACKGROUND

The City Charter (Charter) Section 1204, subdivision (f) allows the City-owned public utilities to transfer an amount not to exceed 11.5% of the utilities' gross operating revenues for the prior fiscal year into the City's General Fund, which provides essential funding for community services such as police, fire, street repairs, addressing homelessness, children's after-school programs, maintenance of parks, senior/disabled services.

The General Fund Transfer has been approved by the Riverside voters four times:

1. Original charter (approved by a majority of voters on March 1, 1907), Section 162, provides that utility rates “should preferably, but not necessarily, yield a reasonable profit and interest on the investment to the city” Section 172 further provides that, on an annual basis, any funds remaining after the utilities have paid their specified expenses shall be transferred to the general fund.
2. 1955
3. Approved by voters on June 4, 1968 and effective on July 16, 1968, Vote count: 20919 (yes) to 17830 (no): added a GFT transfer of “an amount equal to 11.5% of the gross operating revenues.”
4. Approved by voters on November 8, 1977 and effective on December 1, 1977, Vote count: 23292 (yes) to 8043 (no): changed the GFT to “an amount not to exceed 11.5%.”

Subsequent to these 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. On 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.

The Electric Transfer currently provides approximately \$40 million annually, or about 14% of the total General Fund operating budget. 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. 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.

Losing this revenue source would require significant budget cuts from the services noted above and others. In addition to this potential loss of revenue, the City is also dealing with the longterm economic impacts of the COVID-19 pandemic, an ongoing structural deficit that approaches approximately \$15 million annually, and rising unemployment that could further impact the City budget.

On May 18, 2021, the City announced a settlement agreement in *Parada v. City of Riverside*. As planned, the City will proceed with placing the City of Riverside Services Protection Measure on an upcoming ballot. This Measure allows voters to consider whether to affirm the long standing utility fund budget transfer that maintains reliable local funding for essential City services, and to continue to fund this transfer through electric rate revenue. Should voters reaffirm the General Fund transfer from the electric utility by passing the Measure, the City will then, consistent with this mutually-agreed-upon settlement, also issue utility credits over a five-year period to local utility ratepayers.

DISCUSSION

In November 2020, the City entered into an Professional Consultant Services Agreement with Fairbank, Maslin, Maulin, Metz & Associates (FM3), a California-based research firm, to conduct a survey of Riverside residents to assess the viability of the Riverside Services Protection

Measure, a potential ballot measure anticipated at that time to possibly be presented to voters on June 8, 2021, to amend the Riverside City Charter to add a section confirming the Electric Transfer, limited to 11.5% of gross revenue. The cost of this initial Agreement was \$39,500 and it was executed utilizing Purchasing Resolution Section 702 (s), which states that “Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required...When the Competitive Procurement of less than \$50,000 for consultant services is waived with the written approval of the City Manager.”

The dual-mode survey by FM3 was conducted online and by telephone between January 7-14, 2021 among a random sample of over 700 residents. The survey 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. 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 police/fire, street repair, homeless needs, and parks.
- Respondents prioritized ensuring local funding is maintained for public safety services such as police, fire and paramedic services, keeping public areas and parks clean and safe, and addressing homelessness, among other priorities.

On February 16, 2021, the City Council referred the Riverside Services Protection Measure (Measure) to the Charter Review Committee (i.e. an appointed body comprised of 12 volunteer Riverside residents) for review and consideration to place on the November 2, 2021 ballot. This Measure, as envisioned at that time, would amend the 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.

During its review of the Riverside Services Protection Measure and the proposed charter amendment language associated with the Measure, the Charter Review Committee has proposed and is considering an alternative charter amendment (see attached) for the City Council’s consideration. The City Manager is requesting the services of FM3 to conduct a follow-up survey of Riverside residents for the following key reasons:

1. Given the Charter Review Committee’s proposed charter amendment for the City Council’s consideration, conducting a new survey would serve as important information for the Committee, the City Council, and the public’s consideration.
2. Recognizing that many circumstances have changed since January 2021 (e.g. in January the state of the pandemic was very troublesome, compared to now when the situation appears to be improving), the public, the Charter Review Committee and the City Council would benefit from information that reflects current perspectives of Riverside residents. However, a new circumstance has now arisen in that the State will now be scheduling its own Special Election. At this writing, it is as yet unclear what the election date will be, with September and November dates currently being discussed, either of which will affect the overall environment for the City’s own Municipal Election.

3. As the City Council will be considering in July 2021 what ballot measure to place before the Riverside voters in November 2021, providing up-to-date information to the public and the City Council is important for the decision-making process.

The follow-up survey will be conducted upon approval of this amendment and will use the same methodology from the original baseline survey conducted in January 2021. The survey results will be shared with the City Council, Charter Review Committee, and the public in early July 2021, prior to the August 6, 2021 deadline for the City Council to place a Measure on the November 2, 2021 ballot.

Purchasing Resolution 23256, Section 1104 states that “Modifications to a Purchase Order shall be made only by Change Order. Subject to the availability of funds, Change Orders may be utilized for purposes of...(3) modifying scope of work/services.”

The Purchasing Manager concurs that the recommended action is in compliance with Purchasing Resolution 23256, Section 1104.

FISCAL IMPACT:

The fiscal impact of this recommendation is \$39,500. Funding is available in the General Fund Non-Departmental City Manager General Government Account Number 7211200-450247.

Prepared by:	Donna Finch, Principal Management Analyst
Certified as to availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Al Zelinka, FAICP, City Manager
Approved as to form:	Kristi J. Smith, Interim City Attorney

Attachment:

1. Community Issues Survey Executive Summary
2. Proposed Charter Amendment
3. First Amendment to Agreement with FM3