

*City of Arts & Innovation*

# City Council Memorandum

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**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 Manger 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



OPINION  
RESEARCH  
& STRATEGY

**TO** Interested Parties

**FROM** FM3 Research

**RE:** City of Riverside Community Issues Survey

**DATE** February 21, 2021

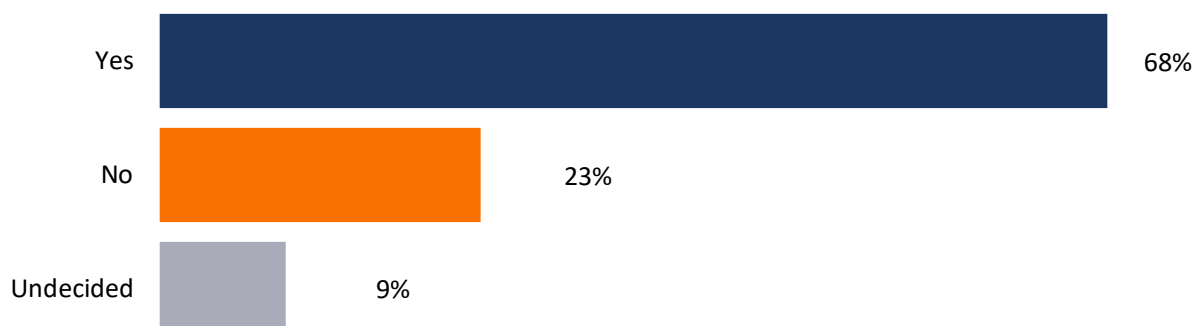
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Fairbank, Maslin, Maullin, Metz & Associates (FM3) recently conducted a survey of residents of the City of Riverside to examine community satisfaction and funding priorities<sup>1</sup>. **The study found that a strong majority of respondents support amending the City Charter to maintain local funding and the City's financial stability by continuing the existing voter-approved practice of transferring utility revenue to the City's General Funds for use on services such as 911 response, police/fire, homeless needs, and parks.**

Key findings from the study include:

- **Respondents rated City services in departments such as Riverside Public Utilities, the Fire Department and Police Departments.** Seventy-one percent rated Riverside Public Utilities as doing an excellent/good job. The Police and Fire Departments also received positive ratings with 65% rating the Police Department as doing an excellent/good job and 88% rating the Fire Department as doing an excellent/good job.
- **More than two-thirds of all respondents support a simple-majority measure re-authorizing an existing voter-approved budget procedure 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. (Figure 1).** Sixty-eight percent of respondents indicated that they support a Voter-reauthorization of such a measure, far exceeding the majority-vote threshold necessary for passage and well outside the survey's margin of error. Support for the measure is significantly greater than the 23% of respondents who said they would oppose it. An additional 9% of respondents were unsure about the measure.

**Figure 1: Support for City Charter Amendment to Continue Providing General Fund Revenue**



- 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.** Overall, nearly all respondents indicated that “maintaining 911 response” was extremely or very important to fund (93%), as was “maintaining fire and paramedic services” (92% extremely/very important). Similarly, “keeping public areas and parks clean and safe” (87% extremely/very important); “maintaining public safety services” (86% extremely/very important); and “addressing homelessness” (85% extremely important) were highly prioritized by respondents. **Figure 2** below includes a list of the projects and services considered by more than eight-in-ten respondents to be extremely or very important to be funded through the General Fund if the proposed measure passes.

**Figure 2: Top Funding Priorities, Ranked by “Extremely Important/Very Important”**

Funding Priority	“Extremely/Very Important”
Maintaining 911 response	93%
Maintaining fire and paramedic services	92%
Keeping public areas and parks clean and safe	87%
Maintaining public safety services	86%
Addressing homelessness	85%
Preventing and preparing for wildfires	84%
Maintaining essential city services	84%
Preparing for and recovering from public health emergencies	83%
Maintaining local infrastructure	83%
Retaining local businesses	82%
Maintaining street repairs	82%
Investigating and preventing property crimes	81%

Overall, survey results indicate that a large majority (68%) support amending the City Charter and allowing the City to continue transferring funds from electric rates to its General Fund. Respondents prioritize funding for a variety of services and infrastructure needs such as maintaining 911 response and fire and paramedic services; keeping public areas and parks clean and safe; and addressing homelessness.

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<sup>i</sup> Fairbank, Maslin, Maullin, Metz & Associates (FM3) conducted a dual-mode survey online and by telephone (cellular and landline) between January 7-14, 2021, among a random sample of 709 voters registered in the City of Riverside who are likely to participate in a November 2022 General Election, of which 385 respondents are also likely to participate in a 2021 Municipal Election. Interviews were conducted in English and Spanish. The margin of error for participants likely to vote in 2022 Election is +/-4.0%. The margin of error for participants likely to vote in 2021 is +/- 5.0% with a 95% confidence interval.

*Current Charter (no changes recommended):*

**Sec. 1204. Use of revenue.**

The revenue of each 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 as follows:

- (a) For the payment of the operating and maintenance expenses of such utility, including any necessary contribution to retirement of its employees.
- (b) For the payment of interest on the revenue bonded debt of such utility. As used in this section "revenue bonded debt of such utility" means the debt evidenced by revenue bonds, revenue notes or other evidences of indebtedness payable only out of the revenues pertaining to the utility involved, whether the same are issued under the provisions of this Charter or under the provisions of any general law of the State of California.
- (c) For the payment, or provision for the payment of the principal of said debt as it may become due, and of premiums, if any, due upon the redemption of any thereof prior to maturity.
- (d) For the establishment and maintenance of any reserves for B and C above.
- (e) For capital expenditures of such utility.
- (f) For the annual payment by each 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 each specific utility for the last fiscal year ended and reported upon by independent public auditors.

*Proposed Charter amendment (new section):*

**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 such as 911 response, fire, paramedic, police, street repairs, parks, senior services, homelessness services, and other general services.



FIRST AMENDMENT TO  
PROFESSIONAL CONSULTANT SERVICES AGREEMENT

FAIRBANK, MASLIN, MAULLIN, METZ & ASSOCIATES, INC.

Voter Survey to Assess the Viability of Various Potential Revenue Measures

THIS FIRST AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT ("First Amendment") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2021, by and between the CITY OF RIVERSIDE, a California charter city and municipal corporation ("City"), and FAIRBANK, MASLIN, MAULLIN, METZ & ASSOCIATES, INC., a California corporation ("Consultant"), with respect to the following:

**RECITALS**

A. The City and Consultant entered into that certain Professional Consultant Services Agreement dated January 6, 2021 ("Agreement"), for Voter Survey to Assess the Viability of Various Potential Revenue Measures.

B. The City and Consultant desire to add additional services, extend the term of the Agreement for one (1) month until December 31, 2021, and add additional compensation during the extended term of the Agreement.

NOW, THEREFORE, incorporating the recitals set out above, the parties hereto mutually agree to the following amendment to the Agreement.

1. Section 1, Scope of Services, is hereby amended to add additional services as described in Exhibit "A-1," attached hereto and incorporated herein by reference.

2. Section 2, Term, is hereby amended to extend the term of the Agreement for one month to December 31, 2021.

3. Section 3, Compensation/Payment, is hereby amended to increase the compensation by Thirty-Nine Thousand Five Hundred Dollars (\$39,500.00), for the additional services, for a total cost of Seventy-Nine Thousand Dollars (\$79,000.00), as set forth in Exhibit B-1," attached hereto and incorporated herein by reference.

4. All other terms and conditions of the Agreement between the parties, which are not inconsistent with the terms of this First Amendment, shall remain in full force and effect as if fully set forth herein.

**[SIGNATURES ON FOLLOWING PAGE.]**

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Professional Consultant Services Agreement to be duly executed the day and year first above written.

CITY OF RIVERSIDE,  
a California charter city and municipal  
corporation

FAIRBANK, MASLIN, MAULLIN,  
METZ & ASSOCIATES, INC.  
a California corporation

By: \_\_\_\_\_  
City Manager

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest: \_\_\_\_\_  
Colleen J. Nicol  
City Clerk

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Certified as to Availability of Funds:

By: Kristie Thomas  
Chief Financial Officer

Approved as to Form:

By: Susan Wilson  
Susan Wilson  
Assistant City Attorney

**EXHIBIT “A-1”**

**SCOPE OF SERVICES**



OPINION  
RESEARCH  
& STRATEGY

**TO** Donna Finch  
City of Riverside

**FROM** Dr. Richard Bernard, Laura Covarrubias, and Adam Sonenshein  
FM3 Research

**RE:** Proposal for Follow-Up Public Opinion Survey

**DATE** May 27, 2021

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Fairbank, Maslin, Maullin, Metz & Associates (FM3) is pleased to submit this short scope of work and cost memo to conduct research for the City of Riverside. We look forward to the opportunity to continue our partnership with the City. Our past research will enable our firm to track public opinion over time by re-asking questions to determine if and how the views of your voters have shifted since our survey conducted in January 2021, as well as prior surveys conducted for the City. Details on our recommended research plan follow below.

## **PROPOSED RESEARCH SPECIFICATIONS AND COSTS**

For this study, FM3 recommends the following approach, which follows the same methodology used in our baseline survey in January 2021:

<b>Methodology</b>	Dual-mode (online and telephone) data collection
<b>Questionnaire Length</b>	20 minutes
<b>Sample size</b>	600 City of Riverside voters likely to vote in a special election
<b>Margin of Sampling Error</b>	±4.0 percent in 95 out of 100 cases for a sample of 600 interviews
<b>Languages</b>	Telephone interviews will be conducted in English and Spanish; online interviews in English only.

**Deliverables** Following completion of the survey, we will provide upon request:

- A questionnaire for easy reference
- An analysis and report of survey results
- A PowerPoint presentation of results

FM3 will also be available for ongoing consultation and any further analysis of the research.

**Cost** The proposed cost for this research is **\$39,500**. This cost is comprehensive, and includes questionnaire design, sample acquisition, programming, translating, email invitations, online survey hosting, bilingual telephone interviewing, data entry and analysis, and reporting.

If you have any questions or if there is any further information we can provide about this proposal, please do not hesitate to contact us. You may reach us as follows:

**Richard Bernard, Ph.D., Partner**

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(310) 428-1809 (Cell)  
[Bernard@FM3Research.com](mailto:Bernard@FM3Research.com)

**Adam Sonenshein, Vice President**

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**Laura Covarrubias, Researcher**

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[Laura@FM3Research.com](mailto:Laura@FM3Research.com)

**EXHIBIT "B-1"**  
**COMPENSATION**



OPINION  
RESEARCH  
& STRATEGY

**TO** Donna Finch  
City of Riverside

**FROM** Dr. Richard Bernard, Laura Covarrubias, and Adam Sonenshein  
FM3 Research

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