



RESPONSES TO FREQUENTLY ASKED QUESTIONS ABOUT MEASURE Z

What is Measure Z?

Measure Z establishes a one-cent Transaction and Use Tax with revenues going directly to the City of Riverside. Measure Z will be on the November 8, 2016 ballot and would pay for critical unfunded City programs and services, such as public safety, prevention of homelessness, road maintenance and tree trimming, recreation and parks, and more.

How is this different from existing sales taxes?

The current sales and use tax rate in Riverside is 8%. The City receives only 1% of the 8%; the rest goes to the State (6.25%) and Riverside County (0.75%). If Measure Z passes, the entire additional 1% Transaction and Use Tax would go to the City.

What purchases would be taxable under Measure Z?

Retail sales of tangible personal property in California are generally subject to sales tax, such as furniture, giftware, toys, antiques, clothing, prepared food, liquor, automobiles, etc. The tax would not apply to medicine and most groceries.

How much money would Measure Z raise?

Between \$48 million and \$50 million annually specifically for the City of Riverside's General Fund, which pays for most City services.

Why does the City need the additional money?

The City has never fully recovered from the economic recession that started in 2008. Over the last several fiscal years, the City's General Fund has suffered from a lack of revenues to meet the growing cost of expenses, especially related to critical programs and services such as public safety, library and recreation programs. To avoid interruptions in services, the City used one-time revenues and reserves, and deferred building maintenance and public safety vehicle replacement.

These short-term and one-time fixes have now been exhausted, and with the City's revenues coming in far less than what was estimated, there is a structural deficit in the City's budget. As a result, an \$11 million annual shortfall was projected for each of fiscal years 2016-2017 and 2017-2018, with a similar financial forecast for the additional three years. To balance its budget, the City put in place spending freezes and hiring freezes and implemented major cuts across all departments, including public safety, libraries and recreation. These cuts enabled the City to balance the FY 2016-2018 two-year budget, but with a reduction in basic services and without addressing \$200 million in unfunded critical needs, such as maintenance of police and fire stations, replacement of 30-year old fire trucks, and pothole patching.

If approved by voters, the monies generated by Measure Z would help restore service cuts and improve City services and start addressing the significant backlog of the unfunded critical needs.

What would a new sales tax rate be if Measure Z passes?

The current sales and use tax rate in Riverside is 8%. On January 1, 2017, the Statewide sales tax rate is scheduled to decrease by 25 cents as a result of the expiration of a temporary increase approved by the voters in 2012, bringing Riverside's local rate to 7.75%. If Measure Z passes, Riverside's sales tax rate would go up from the current 8% to 8.75%.

What specifically would Measure Z revenue pay for?

Measure Z is a general purpose tax, so, due to State Law, the City is prohibited from specifying exactly what the money would fund. If Measure Z passes, the City Council and the new Budget Engagement Commission, made up of residents and business representatives, will solicit input from the taxpayers on the key priorities that should be funded. Taxpayers also can give input during the City's budget process.

How will these funds be accounted for?

Measure Z funds would be tracked and presented to the City Council publicly on a quarterly basis, and audited annually. Staff reports of those presentations to the City Council are available to the public before the Council hears the report.

What is the average sales and use tax for counties and cities in California?

The California State Legislative Analyst's Office states that the average sales and use tax rate in California was 8.5% in 2015. At the time, the rate ranged from 7.5% to 10%. You can see the report here: LAO.CA.gov/reports/2015/finance/sales-tax/understanding-sales-tax-050615.pdf

How long would Measure Z be in effect?

Measure Z would impose a local one-cent tax for 20 years, until March 31, 2037, when it would go back to the voters. Voters could change or remove the tax any time prior to that.

What are the impacts on major purchases, like cars?

Measure Z would be charged on all tangible personal property that is delivered or placed into use within the Riverside city limits, including vehicles, boats, or airplanes that are purchased elsewhere, but registered to a Riverside resident. Someone who buys a car in Riverside but registers it elsewhere would not pay the Measure Z tax.

Can the State take Measure Z funds to balance its budget?

No. Measure Z funds must stay in Riverside according to the State Constitution.

Where can I find information on Measure Z?

More information and a schedule of community meetings can be found at RiversideCA.gov/MeasureZ.

Why is the City pursuing a sales tax increase of 1% when the City's income is already increasing by an average of 4 % per year, which is over twice the rate of inflation?

The City's expenses are increasing faster than its revenues are growing. For years, the City has successfully trimmed expenses, delayed spending on non-urgent needs such as facility, vehicle and road maintenance, and used one-time revenues including land sales, in order to keep its budget balanced. This year, these short-term budget balancing measures could no longer resolve the structural financial issue. As a result, the City was forced to cut \$11 million from its General Fund budget, eliminating many of the essential positions -- including police and firefighters -- and further reducing funding for road maintenance and tree trimming. Most importantly, a careful examination of the City's finances and service demands for the next five years shows the City faces over \$200 million in critical unfunded needs, such as additional police officers, funding to repair and replace first responder vehicles, funding for the repair and maintenance of buildings built during the Riverside Renaissance, and funding for road and tree maintenance. The City's critical unfunded needs urgently require a new source of funding to protect the quality of life in Riverside reflected in our roads, trees, community facilities, public safety and community services.

If the City is facing a functioning shortfall of about \$9 million per year and expects to see similar shortfalls in coming years, why isn't Measure Z seeking a ¼% tax increase instead of the full 1%?

The City's structural deficit is \$11 million. However, this is only the tip of an iceberg when it comes to the City's critical needs. There are significant funding gaps in public safety staffing, and maintenance and repair of buildings, vehicles and roads. The \$48-\$50 million that would be raised by Measure Z each year would help resolve many – but not all – of these needs. To decide how best to spend money raised by Measure Z, if it passes, the City will seek the community's input on which needs are most critical through the Budget Engagement Commission.

A detailed discussion of the City's critical needs and the need for Measure Z is available on this website: RiversideCA.gov/MeasureZ.

Recently-approved agreements with City employee groups call for the employees to get raises if the City does well financially. Would this cause the City to have financial problems in the future?

The Partnership Compensation Program encourages every employee to contribute to the quality of life in Riverside by tying employees' salary increases to the financial health of the City. Under the model, employee salary increases are generally half of the annual growth in the four critical revenues – property tax, sales tax, hotel tax and utility users' tax. This approach has been publicly discussed for months, even before the City identified a structural budget shortfall and the hundreds of millions of dollars in unfunded critical needs. The program encourages all City employees -- public safety officers, road repair personnel, recreation and library staff, etc. -- to provide the best possible services to our constituents to maintain and enhance the City's tax base. There are minimum and maximum salary increases in any given year (for example, from 0% to 6%, or from 2% to 4%, and from 3% to 5%, depending on the employee group and the fiscal year). The City and employees will also share the cost of pensions and medical insurance.