

INFORMATIONAL MEETING PROPOSED MEASURE Q



November 29, 2016

What is Measure Q?

Ballot

- Proposed ballot measure to be voted on by Vernon residents at the April 11, 2017 election

Tax

- Increase the utility users tax (UUT) from 1% to 6% for all utility customers

Why?

- Eliminate the electric utility operating transfers and replace them with an equivalent amount of UUT revenues

Why is Measure Q Important?

Good Governance

- City is committed to reform and best practices to provide more fiscal accountability and financial transparency

Propositions 218 and 26

- State of California discourages operating transfers and views them as hidden taxes (Currently under review by the State Supreme Court)

General Fund Stability

- Needs to develop its own revenue sources for financial stability

Credit Rating

- Utility Operating Transfers viewed negatively by the rating agencies and regulatory bodies (Electric utilities are rated independently)

What is the Impact?

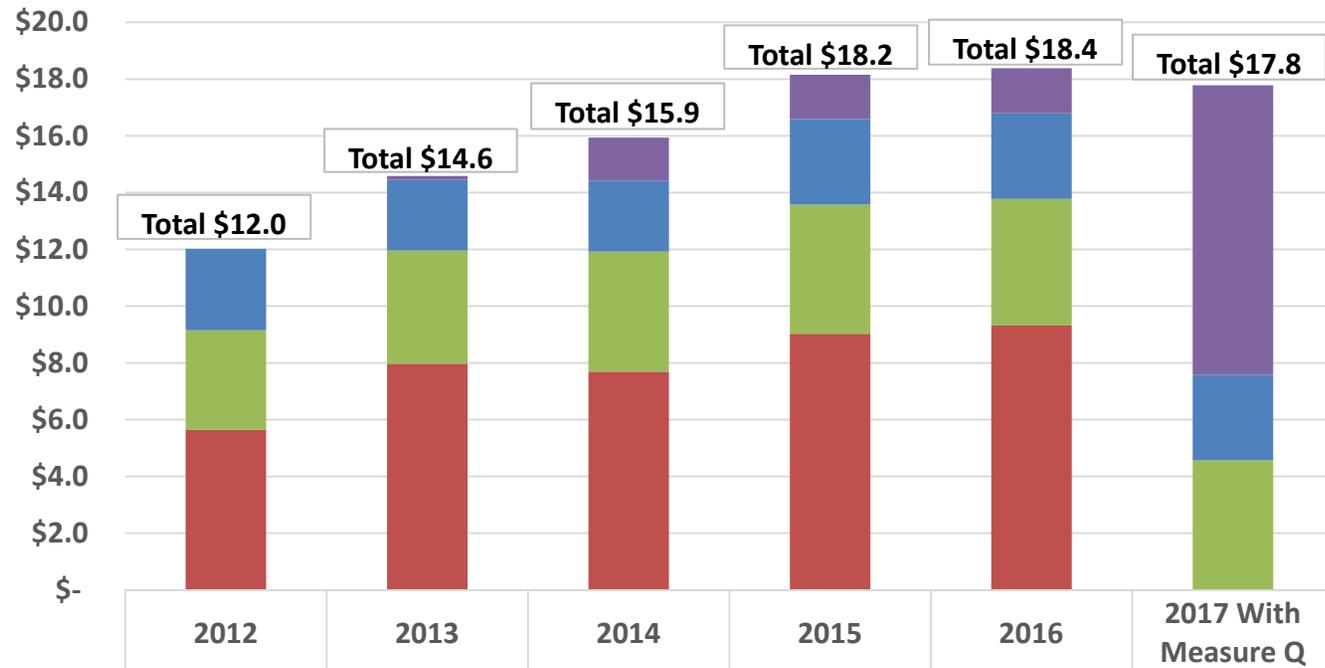
Electric Utility Customers

- Electric utility bill credit that is equivalent to a 5% increase in UUT resulting in no financial impact to electric customers
- Offsetting credit due to the elimination of operating transfer

Other Utility Customers

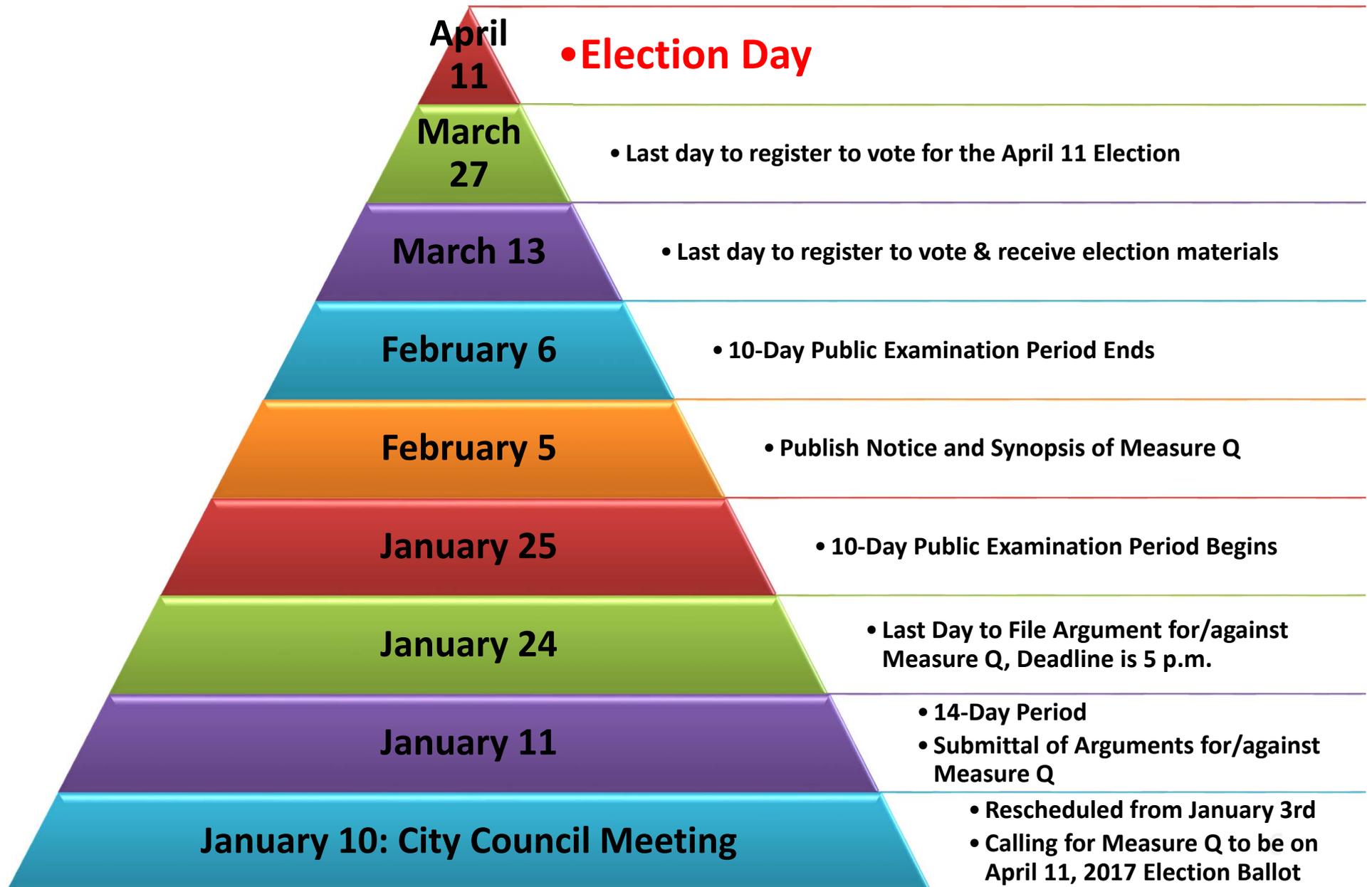
- All water, gas, fiber optics & phone customers' UUT will increase from 1% to 6%
- No offsetting credit due to no existing operating transfers
- Currently operating at a break even point

Electric Utility's Transfers and Taxes



Utility Users Tax	\$-	\$0.1	\$1.5	\$1.6	\$1.6	\$10.2
Overhead Allocation	\$2.9	\$2.5	\$2.5	\$3.0	\$3.0	\$3.0
In-Lieu Franchise Tax	\$3.5	\$4.0	\$4.2	\$4.5	\$4.5	\$4.6
Operating Transfer	\$5.6	\$8.0	\$7.7	\$9.0	\$9.3	\$-

Measure Q – 2017 Key Milestone Dates



Conclusions

Pursuit of a Ballot Initiative to address General Fund's operating transfer concern

The development of a Utility Users Tax promotes less reliance on general fund operating transfers

Greater fiscal accountability for each operating fund

Rating companies and regulatory bodies are in favor of less general fund transfers to improve operational transparency

The City will continue to educate residents and business community