

## Work Program for Allocation/Expenditure Plan

In October, the City Council asked the CFAC to consider an alternative method of allocating Q/E revenues to simplify the accounting. In January City staff presented one option for simplifying the accounting and allocation of Q/E funds which was based on the number of positions. Following that meeting in late January, in CFAC's annual report to Council, CFAC expressed its support for any efforts to be more cost effective in the administration of the Q/E revenues, subject to the requirement that any modification of the accounting enable the City to efficiently report the expenditures, uses and activities funded from the Q/E revenues received in the current and prior fiscal years.

CFAC stated that a longer term "allocation plan" is a good idea. An allocation methodology should be developed based on a historical review of Q/E expenditures, Q/E revenue projections, projections of future departmental and capital needs, and robust public participation and CFAC review. It also recommended that this change result in a more formalized and consistent method of reporting "activities funded" from Q/E funds, and that the annual reports be more simplified, approachable and transparent presentation of the material to the public.

A multi-year allocation plan would enable the city to anticipate and budget for activities that need to spread over multiple years, identify changes in departmental needs, identify capital improvements that would be and won't be funded by this revenue source, and develop a consensus around the current and future use of such funds. It would also address authorized activities that have not been funded in the past.

Virtually all cities in the County now have some form of special sales tax measures, and there are varying levels of longer-term planning, various types of reporting and various levels of "oversight". There are undoubtedly best practices that can be adopted from others.

Also, as the history and context of Measure Q and E get farther away in the rear-view mirror, there is a varying degree of institutional knowledge about what the funds "can" and "can't" be used for, and the legislative intent. Are there two measures (Q and E), or one measure (E replaced Q)? Are portion of the funds from the Q 0.5% to be applied to Q activities and the 1% from Measure E to be applied to Measure E activities, is there one composite list of activities? This work effort can review that history and answer these questions.

The final product of the effort would be a multi-year "allocation plan" or "expenditure plan" for Q/E funds that would be categorized by the activities authorized by the voters when Q and E were approved. A multi-year allocation plan would take

some concentrated effort now (including this study and report), but would simplify reporting and accounting during the term of the plan.

As with the Revenue Policy Review, this effort will require the formation of a subcommittee to work between the meetings and develop work products.

### **Suggested Work Program**

1. Meet with staff to review “accounting” and reporting issues. Identify current systems used to track activities, and potential systems needed.
2. Review legislative history of Q and E, including adopted ordinances and resolutions directing how the funds are to be used.
3. Summarize Q and E expenditures by activity since adoption of Measure Q to the current year. Identify percentages of Q/E funds spent on each activity and note changes and trends. Identify areas where there has been limited expenditures and activities in categories not explicitly set forth in the ballot measures.
4. Identify the types of expenditures that fall into each defined activity.
5. Identify trends and needs for each activity by department; recommend initial allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
6. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years.
7. Complete a report for the City Council.

### **Timeline and Schedule**

City staff has expressed some urgency of completing this task to possibly apply it to the 2026/27 budget document. That seems unlikely, given the extent of staff help and support that will be necessary, and the need to go through this in a deliberative manner with appropriate opportunities for departmental comment, and for public input. The following is recommended for Committee review and comment:

#### **May Meeting (May 19<sup>th</sup>; report due for packet on May 13<sup>th</sup>)**

1. Meet with staff to review “accounting” and reporting issues. Identify current systems used to track activities, and potential systems needed.

2. Review legislative history of Q and E, including adopted ordinances and resolutions directing how the funds are to be used.
3. Review oversight methods used by other communities.
4. Identify the types of expenditures that fall into each defined activity.
5. Summarize Q and E expenditures by activity since adoption of Measure Q to the current year. Identify percentages of Q/E funds spent on each activity and note changes and trends. Identify areas where there has been limited expenditures and activities in categories not explicitly set forth in the ballot measures.

August Meeting (August 18th; report due for packet on August 12th)

1. Identify trends and needs for each activity by department; recommend initial allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
2. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years.
3. Public review and comment on draft allocations and methodology.

October Meeting (October 20<sup>th</sup>; agenda report due October 14<sup>th</sup>)

1. Identify final recommended trends and needs for each activity by department; recommend allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
2. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years. Need for additional systems.
3. Recommend annual, simplified reporting format.
4. Complete report for the City Council.