



**Office of the City Manager
65 Civic Avenue
Pittsburg, CA 94565**

MEMO: August 17, 2020
TO: Mayor and Council Members
FROM: Garrett Evans, City Manager
RE: Allocation of Measure M Funding and Spending Requirements

EXECUTIVE SUMMARY

Staff, working with the Finance Subcommittee, has reviewed previous Measure M revenue allocations and has prepared a new formula for future allocations of Measure M revenues for consideration.

FISCAL IMPACT

There is no current fiscal impact associated with providing future direction on how Measure M revenues are to be allocated at this time. Depending on the specific future allocations, alternative funds may be needed. The redistribution of Measure M revenues however will provide for a broader coverage of costs for programs identified by the City Council as priorities.

RECOMMENDATION

City Council accept the report and implement the change for future Measure M revenue allocations.

BACKGROUND

At the June 29, 2020 City Council meeting, Councilmember Craft requested a future agenda item related to the Measure M Sales Tax revenue collections and the use of these funds. On July 20, 2020, the City Council directed staff to bring to the Finance Subcommittee a summary of past allocations of Measure M revenues and to formulate a plan for future use of the Measure M revenues for City programs.

In 2012, the City faced decreasing revenues, including a 26 percent decrease in sales and property taxes since 2008, amounting to a loss of approximately \$2.6 million annually. In addition, the costs to provide essential city services to residents continued to increase. The

City had already reduced staff and consolidated City Departments to cut costs. The City had 275 full-time employees in 2008, and through early retirements and not filling vacant positions, the City reduced this number to 239 employees in 2011. To further reduce costs, the fiscal year ("FY") 2011-12 budget called for leaving four (4) police department positions vacant, eliminating the budget for police and maintenance employees at public events, closing the Buchanan Swim center, and eliminating 14 positions, including eight layoffs.

The City predicted that without an increase in revenues, the City would have a General Fund deficit in FY 2012-13 of approximately \$2.7 million, which would have required the City to make additional cuts to City services including a reduction in Police Department services and closing the Senior Center. Faced with severe reductions in income to the General Fund, it would have been very difficult for the City Council to balance the City's budget without cutting the Police Department's budget.

To avoid reductions in vital City services, the City Council placed Measure P on the June 5, 2012 ballot to temporarily increase the City's sales tax. Pittsburg's voters approved Measure P and the City began collecting the new sales tax beginning in October 2012.

City of Pittsburg's 2012 Sales Tax - Measure P Language

"To provide funding that stays in Pittsburg and cannot be seized by the State, to be used for Public Safety, gang prevention, job creation programs for local residents, to keep the Senior Center open, to maintain other City services, shall the City of Pittsburg enact a temporary, half-cent sales tax for five years, reduced to one-quarter cent for five years, then the increase be terminated, altogether, with citizen's oversight committee, mandatory audits and consistent community reporting?"

To which 73.69% of Pittsburg's voters said "yes".

Again, in FY 2015-16, the City projected that without an extension of Measure P, vital City services currently funded by Measure P would face reductions as Measure P would reduce by 50% in FY 2017-18 and 50% in FY 2022-23. An election to extend Measure P was placed upon the June 2016 ballot, referred to as Measure M.

City of Pittsburg's 2016 Sales Tax - Measure M Language

"To provide funding that stays in Pittsburg and cannot be seized by the State, to be used for Public Safety, gang preventions, job creation programs for local residents, Senior Center operations, repair roads, operate youth programs, and maintain other City Services, shall the City of Pittsburg extend its current half-cent sales tax through fiscal year 2034-35, providing \$3.6-\$3.8 million annually, then the increase be terminated, altogether, with citizens' oversight, mandatory audits and consistent community reporting?"

To which 81.31% of Pittsburg voters once again said "yes".

Since the passage of Measure M in June 2016, both Measure P and Measure M are referred to as Measure M starting in FY 2017-18.

SUBCOMMITTEE FINDINGS

The review of previous allocations of Measure M was presented to the Finance Subcommittee at meetings on both July 27, 2020 and August 5, 2020, resulting in the recommendations in this report.

STAFF ANALYSIS

Staff reviewed the allocations previously recommended by the Citizens Oversight Committee and subsequently approved by the City Council from the inception of Measure P in 2012, which was superseded by Measure M in 2016.

The review included looking at the ballot measure language as well as reviewing the priorities established by the City Council. It was determined that the distribution of the Measure M funds should be more inclusive to the divisions identified by the ballot language as approved by the residents of Pittsburg.

The following recommendations are the outcome of the discussions to ensure funding is distributed for future revenue collections.

Action Plan:

1. Do not adjust the current Fiscal Year 2020-21 allocation.
2. As Measure M revenues are received during Fiscal Year 2020-21, the Finance Department shall:
 - a. Keep the Finance Subcommittee informed of the actual revenues received during the monthly meetings established.
 - b. Should the revenues exceed the originally budgeted amount of \$3.2 million during Fiscal Year 2020-21, staff will bring recommendations to the Finance Subcommittee and full City Council to determine the disposition of any excess funds. If revenues exceed 10% of the budgeted amount, those funds will be deposited into the Budget Stabilization Fund in accordance with the Budget Stabilization Ordinance.
3. Looking beyond Fiscal Year 2020-21:
 - a. The City Council shall consider placing a \$2.751 Million cap on the amount of revenues dedicated to Public Safety, while striving to maintain the following conditions:
 - i. A ratio of 1.1 officer per 1,000 residents in the Police Department.
 - ii. Consideration of projected funding that Public Safety CFDs receives prior to determining the Measure M allocation to for Public Safety.
 - b. Future allocation requests should be presented with a detailed project or proposed outcome for the use of the funds requested.
 - c. Consider placing a floor on the amount or percentage to be devoted to any program or division equal to Fiscal Year 2020-21.
 - d. Future goals for funding allocations of Measure M funds:
 - i. Public Safety – Maintain the current funding levels and only consider increasing the allocation to ensure an officer to resident ratio of 1.1.
 - ii. Senior Center – Restore funding over time to \$350,000.
 - iii. Economic Development – Increase funding over time to \$450,000.

- iv. Youth – Increase funding over time to \$425,000.
- v. Streets – Increase funding over time to \$750,000.

As established by both Measure P and Measure M ballots, the Citizens Oversight Committee will continue to be charged with reviewing the use of and making recommendations to the City Council for future uses of the tax revenues.

Report Prepared By: Garrett Evans, City Manager