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| MEETING DATE: October 4, 2017 | ITEM # 15 |
| SUBJECT: CONSIDERATION OF A REVISED UNIVERSAL POLICY DOCUMENT TO GUIDE MEASURE E EXPENDITURES | |
| INITIATED OR REQUESTED BY: [X] Council [] Staff [] Other | REPORT COORDINATED OR PREPARED BY: Jon Robinson, Deputy City Manager  Amanda Berlin, Assistant City Manager |
| ATTACHMENT [X] Yes [] No [] Information [] Direction [X] Action | |

OBJECTIVE

The purpose of this report is to request Council consideration of a revised Universal Policy document to guide the expenditure of Measure E funds.

RECOMMENDED ACTION

Staff respectfully recommends that the Council approve the revised Measure E Universal Policy document to guide Measure E expenditures in substantially the form shown in Attachment 1.

BACKGROUND

Measure E was a ballot measure proposed by the West Sacramento City Council and approved by West Sacramento voters in November 2016. The measure added a quarter percent increase to the City’s portion of the local Transactions and Use Tax (sales tax) rate. The ballot language identified several areas of focused investment:

To fund City services and initiatives such as repairing roads, building and maintaining bicycle/pedestrian trails, reducing homelessness and its community impacts, improving educational and career opportunities for youth, and enhancing internet access and the use of smart technologies, shall the City of West Sacramento enact a 1/4 percent transactions and use tax (sales tax) raising approximately \$3.3 million annually on an ongoing basis for general governmental purposes?

Measure E is a general tax, and revenues from it can be used for any lawful purpose. However, the Council expressed its intent to allocate Measure E funds in accordance with the purposes described in the ballot measure. A key report presented prior to the ballot measure elaborated on these purposes. On October 19, 2016 the City Council adopted a preliminary expenditure outline to help ensure that the outcomes envisioned by Measure E are achievable within the available revenues. The official statement in support of Measure E and the campaign for its passage both emphasized that the intent was to expend the funds to achieve these outcomes.

At that meeting, the Council made it clear that Measure E funds are intended to provide opportunities to leverage City funds by (for example) using them to satisfy local match requirements from state, federal, philanthropic and other external funding sources. The Council also emphasized that the preliminary expenditure outline was for planning purposes only, and was intended to represent maximum amounts, not proposed annual expenditures, for each category. The adopted funding maximums help assure that total funding appropriated in each category will not exceed actual revenue from Measure E. Actual Measure E expenditures would be based on appropriations by the Council in its two-year budget, and would be reported to the community in the same manner as Measures J/K and U/V to assure transparency and accountability.

In order to facilitate a more focused discussion of proposed Measure E expenditures, the Council’s review of proposed Measure E expenditures was separated from its consideration of the City’s broader FY 17/18 and FY 18/19 maintenance/operations and capital improvement budgets, which were approved by the Council on June 14, 2017. At the Council’s meeting of June 28, staff presented a stand-alone agenda item that included proposed expenditures within each of the Measure E categories identified in the Council’s preliminary expenditure allocation. At that time, the Council indicated that discussion of specific budget allocations within Measure E should be preceded by Council review and approval of a higher-level framework that would provide formal policy structure regarding the appropriation and use of Measure E funds.

On August 16, 2017, the Council conducted a workshop on a framework for the development of policies to guide staff and the Council in the preparation and review of proposals to expend Measure E funds. At that meeting, the Council provided feedback and directed staff to return to the Council with a Measure E policy document that articulated the principles outlined in the framework staff presented that evening.

On September 20, 2017 the Council approved a set of universal Measure E policies that were based on Council direction from that and previous meetings. At that time, the Council also gave direction that staff revise the Policy Document in three key areas:

1. Expand and clarify the description of Budget Discipline (Section 7)
2. Provide a clearer explanation of the Council's expectations relative to the billing of staff expenses to Measure E (Section 8)
3. Expand the description of the Theory of Change (Section 10 [c])

This report presents that revised policy document for the Council's consideration. Pursuant to the Council's direction at its meeting of September 20, other reports to be presented at this evening's meeting will request Council authority to spend Measure E funds. These proposals have been designed to comply with the revised policy described in this report.

ANALYSIS

A clean, revised version of the revised Universal Policy document is included as Attachment 1 to this report. To facilitate the identification of changes, a redline of the revised document against the version Council approved on September 20 is included as Attachment 2. The revised version includes the following Council-directed changes:

Budget Discipline (Section 7)

The revised document contains additional language indicating that the Council intends not to budget specific projects to the Venture funding category as part of its two-year budget cycle, but will rather allocate these funds on a case-by-case basis in order to retain maximum flexibility to respond to emerging opportunities while still delivering present-day results.

Staff Costs (Section 8)

The Council has been emphatic that only billable staff costs (e.g. enterprise funds) or new staff costs that are directly associated with a Measure E project and would not have been incurred but for the Measure E project (e.g. new positions or overtime for non-salaried staff) may be billed to Measure E, and even then should only be billed when other viable sources of funds have been maximized, or found not to exist, unless warranted in the Council's discretion by the significance of the program or project. The revised Universal Policy includes additional details to underscore the Council's position on this issue.

Theory of Change (Section 10[c])

At the meeting of September 20, the Council directed that this section be upgraded to make it clearer that the theory of change discussion in future staff reports should include not only a description of how proposed projects will effectuate the desired outcomes in a vacuum, but also an analysis of the context in which the project is to be implemented, including the most likely obstacles to project success and how staff plans to deal with them.

With each of the above revisions, staff has tried to faithfully interpret the Council's direction from the meeting of September 20, 2017 and operationalize that direction in the revised policy language. Staff is hopeful that the language shown in the attachments to this report is satisfactory. However, if the Council concludes that staff has missed the mark on any of these items, staff recommends that the Council approve the revised policy subject to specific Council-directed changes, direct staff to return at a future date with further adjustments to any language the Council would like to see changed. In this way, the Council can continue to evaluate projects using the existing Universal Policy document even as staff is improving the fidelity of that document to the Council's vision for Measure E.

Commission Recommendation

N/A

Strategic Plan Integration

Creating a policy framework for implementation of Measure E effectuates each of the Measure E items noted as Top or High priorities in the 2017 Council Strategic Plan

Alternatives

The Council's primary alternatives are summarized below:

1. Approve the revised Measure E Universal Policy document in substantially the form shown in Attachment 1;
2. Approve the revised Measure E Universal Policy document subject to Council-directed changes;
3. Direct staff to return at a future date with another revised Measure E Universal Policy document.

Alternative 1 is staff's recommended action. Staff is prepared to implement Alternatives 2 or 3 at the Council's direction.

Coordination and Review

This report was prepared by the City Manager's Office and Administrative Services Department, with substantial input from each of the other City departments.

Budget/Cost Impact

The framework described in this report will help shape future budget allocations under Measure E, but does not have its own budget or cost impacts.

ATTACHMENTS

1. Revised Measure E Policy Document (No markup)
2. Revised Measure E Policy Document (Changes redlined against September 20 version)

DRAFT

Measure E Universal Policy Document

1. Background

Measure E was a ballot measure proposed by the West Sacramento City Council and approved by West Sacramento voters in November, 2016. The measure added a quarter cent to the City's portion of the Local Transactions and Use Tax (sales tax) rate. The ballot language identified several areas of focused investment:

To fund City services and initiatives such as repairing roads, building and maintaining bicycle/pedestrian trails, reducing homelessness and its community impacts, improving educational and career opportunities for youth, and enhancing internet access and the use of smart technologies, shall the City of West Sacramento enact a 1/4 percent transactions and use tax (sales tax) raising approximately \$3.3 million annually on an ongoing basis for general governmental purposes?

In August, 2017 Council directed staff to prepare a policy document that would provide guidance regarding the current City Council's intent relative to the implementation of Measure E in accordance with the will of the voters who supported the measure. This policy was approved by the Council on September 20, 2017 and amended on October 4, 2017.

2. Intent and Council Discretion

This policy document is intended to guide the Council and staff in the implementation of Measure E funding. However, notwithstanding any provision of this document the City Council retains the right to take any permissible action to effectuate the intent of Measure E.

3. Conceptual Framework

Unlike many other City funding sources, Measure E is focused on outcomes (such as reducing homelessness and its community impacts) as opposed to outputs like the delivery of individual programs or projects. The Council's oversight of Measure E funds is therefore analogous to that of philanthropic organization, and staff's presentation of spending proposals for Measure is analogous to submitting a grant application. The Council shall consider each proposed use of Measure E funds on its own merits.

4. Funding Categories

The different uses of Measure E funds can be described in terms of categories, including:

| <u>Category</u> | <u>Use</u> |
|---|---|
| <ul style="list-style-type: none"> • Capital Accelerator | Accelerate capital projects; fund projects that might otherwise not be funded, or fully funded. |
| <ul style="list-style-type: none"> • Programmatic | Ongoing programs; maintenance. |
| <ul style="list-style-type: none"> • Venture | Create targeted community impacts using innovative techniques or technologies. |

Different components of the same activity may have a primary or secondary role in more than one category as shown below.

| Priority | Capital Accelerator | Programmatic | Venture |
|------------------|--|---|--|
| Primary | <ul style="list-style-type: none"> • Road Rehabilitation • Bike/Ped/Trails | <ul style="list-style-type: none"> • Kids' Home Run • Reducing Community Impacts of Homelessness • Other Public Safety | <ul style="list-style-type: none"> • Smart City • Reducing Homelessness • Age-Friendly and Other Pilots |
| Secondary | | <ul style="list-style-type: none"> • Bike/Ped/Trails (maintenance) • Age-Friendly (ongoing) • Reducing Homelessness | <ul style="list-style-type: none"> • Reducing Community Impacts of Homelessness • Other Public Safety |

5. Universal Versus Category-Specific Policies

This document articulates universal policies that are applicable to all Measure E funding categories. To the extent that differences between categories necessitate category-specific policies, those may be proposed for Council consideration in the context of individual funding requests within those categories.

6. Council-Approved Funding Amounts

In order to avoid over-subscribing Measure E funds and as a general planning aid, Council may annually or semi-annually approve preliminary funding amounts for various Measure E categories. The Council reserves the right to subsequently move funds between categories, and any Council-approved amounts shall be considered upper bounds, not spending targets.

7. Budget Discipline

The Council shall seek to balance the need for stable project funding with the preservation of its ability to respond to unforeseen opportunities through the following budgetary actions:

- a. Funding for projects in the Venture category will not be allocated as part of the City's two-year budget process, but will instead be held for emerging opportunity projects, the funding for which will be approved by the Council on a case-by-case basis.
- b. In any funding category, the Council may, for strategic reasons, choose not to expend all available Measure E funds in a given period in order to maximize the impact of available funds.

8. Staff Costs

The Council's intent is to minimize the use of Measure E to fund City staff costs in order to maximize the community impact of Measure E. Staff expenses meeting the following criteria and limitations may be funded from Measure E:

- a. Only staff expenses from the following sources may be paid from Measure E:
 - i. Enterprise operations (e.g. Water, Sewer, Development Engineering, PW Engineering)
 - ii. New positions proposed to be created to effectuate Measure E-funded projects
 - iii. Overtime costs that would not otherwise have been incurred but for the Measure E project.
- b. The salaries of existing non-enterprise City staff may not be billed to Measure E, even if their workload increases as a result of Measure E-related projects.
- c. Measure E funds should only be used to fund City staff costs when other available funding sources have been fully appropriated, no viable funding alternatives exist, or where warranted in the Council's discretion by the significance of the program or project.

9. Threshold Criteria

Unless specifically authorized by Council, each Measure E expenditure shall meet the following threshold criteria:

- a. Measure E Consistency The uses of Measure E funds shall be consistent with the ballot language and a common-sense interpretation of voter intent in passing Measure E.
- b. Policy Context The proposed uses of Measure E shall be supportive of, and consistent with, other existing Council policies and priorities.
- c. Supplement, Don't Supplant Measure E funds shall be used to supplement, but not supplant, existing funding sources.
- d. Leverage Measure E funds should be used wherever possible to leverage outside funding sources, e.g. by serving as match for outside grants.

10. Transparency

Each proposal for the expenditure of Measure E funds shall include at least the following:

- a. Project Description A description of the actions to be undertaken as part of the project, including both City actions and those of any partner entities.
- b. Desired Policy Outcome A description of the Measure E-relevant policy outcome that the proposed project is designed to effectuate.
- c. Theory of Change This analysis should explain how the proposed project will effectuate the desired outcome in the context of relevant environmental, social, economic and other factors that could affect program success. This discussion should include descriptions of at least the following:
 - i. The problem
 - ii. The proposed project
 - iii. Data/reasoning to support how the project will help solve the problem
 - iv. Contextual factors that could affect program success
 - v. Measures to mitigate any challenges created by those contextual factors
- d. Project Budget A detailed description of the overall project budget, including any use of Measure E funds for staff costs.
- e. Staff Costs A discussion of how staff costs are being covered as part of the proposed project. If any Measure E funds are to be used for City staff costs, the amount of projected use should be noted, along with an explanation of what other funding sources were examined and why Measure E funds are proposed for use.

- f. Performance Metric(s) A discussion of the performance metric(s) that will facilitate analysis of whether the project was effective, including the source(s) for the necessary data and any costs associated with performance measurement.

11. Annual Tracking and Metrics

Staff will track and report to Council annually on fund-wide performance metrics for Measure E expenditures. These metrics will include information about the community impact of Measure E investments, along with the location and cost of Measure E-funded projects.

12. Public Acknowledgement

Measure E-funded projects shall, whenever practical, feature a recognition of the City's Measure E program on project signage. The City shall also highlight its Measure E successes, as appropriate, via press events, social media, and other communication channels.