

## Measure Z Staff Report

On March 2, 2023 the Citizens' Advisory Committee on Measure Z Expenditures appointed an ad hoc committee tasked to examine the process your committee uses to provide recommendations to the Board of Supervisors. On April 25, the Fiscal Year 2023-24 list of recommendations was provided to the Board, and at the County Administrative Officer's direction, discussion on the strain being felt by Measure Z was included as well as some of the ad hoc's activity regarding possible changes to the evaluation process.

This ad hoc was formed after several members of your committee voiced concern during the meeting about the lack of Measure Z revenues available for discretionary allocations. The discretionary allocations is the only funding available to external agencies, which are seen by the Measure Z ad hoc as integral to fulfilling the mission of the ordinance passed by voters. Financially, this dynamic is due to a decrease in Measure Z revenues (down from \$14.5 million in Fiscal Year 2021-22 to \$12.6 million in FY 2022-23 and projected \$12.6 million in FY 2023-24) and a coinciding increase in ongoing obligations related to county staffing costs (\$9.49 million in FY 2021-22 to \$12.04 million projected in FY 2023-24).

Regarding process, the current lack of discretionary funding is also at least in part an outcome of the historic process used by this committee to recommend projects to be funded by the Board of Supervisors. Each year, your committee submits to the Board a list of projects to be funded as funding allows. The list makes no differentiation between funding projects based on whether the funding is one time in nature or ongoing. As your committee evaluated projects heading into FY 2022-23, there was more than \$4 million of one-time funding available as a result of unspent funding in prior years, and revenues in FY 2021-22 coming in higher than projected. Because of this available funding, as well as projections that turned out to be much higher than are being realized, the Board of Supervisors during the adopted budget largely followed the committee's rankings, allocating funds to projects much farther down the prioritized list than is typical. In the process, 16 additional county staff positions were allocated, including your committee's top-rated application for four Public Works staff to perform brush cutting to reduce fire risk.

The committee expressed a need to deeply analyze the method used by the committee to provide recommendations in order to keep Measure Z sustainable in terms of ensuring there is adequate funding each year to address the committee's priorities.

To that end, the ad hoc in April and March met five times with county departments, and in May met with an ad hoc of the Board of Supervisors, the latter of which was tasked to, in cooperation with the Measure Z ad hoc:

- bring information back to the Board on which Measure Z positions that were allocated in FY 2022-23 can be reallocated, and
- develop a percentage-based allocation scenario that potentially includes cities and those who have historically received funding in the past.

The Measure Z ad hoc has developed a series of recommendations to present to your committee for feedback. Your committee may choose to accept, modify, reject or add to any, or all of the recommendations.

### **Recommendation #1**

*Require a self-audit on staffing*

This is meant to require agencies to include in their quarterly reports information on whether the positions funded by Measure Z were actually filled and whether those staff were training, on leave, or fully carrying out the responsibilities of the positions that were funded.

### **Recommendation #2**

*Create a criteria for allowable costs*

This would include creating a criteria for allowable costs related to personnel, equipment, and establishing an acceptable amount of overhead that could be funded by Measure Z. If your committee chose to accept this recommendation, staff would request guidance either on other funding streams that could serve as a model, or the nature of the types of costs your committee wishes to recommend for funding.

### **Recommendation #3**

*Create a reserve policy*

The objective would be to provide funding for ongoing projects during times of low revenue. Best practices for this type of policy is to reserve 15% to 20% of ongoing revenue, and establish a mechanism to return to policy levels in the event the reserve fund is spent. Staff would recommend using some portion of one-time funding to build up the reserve fund, possibly over several years.

### **Recommendation #4**

*Create a mechanism that would allow the committee to recommend partial funding of applications*

Partially funding applications has been an almost yearly topic of discussion for your committee. If your committee wished to explore this further, staff and the Measure Z ad hoc could continue working on possible models to bring before you to consider. To be clear, your committee already has this authority but has adopted a practice to consider

applications in full and allow applicants to submit voluntary reductions. This recommendation would result in potentially establishing a new process to recommend funding select portions of applications.

### **Recommendation # 5**

*Require agencies to report on other funding sources they have pursued to replace Measure Z*

In each Measure Z application, agencies are required to state their sustainability plan, or the actions they would take if Measure Z funding were not available. If your committee chose to adopt this recommendation, agencies would include in the reporting the efforts they have taken and funding sources they have explored to attempt to fund the services provided by Measure Z.

### **Recommendation #6**

*Adopt a stance that the committee will not recommend any more county positions be funded with Measure Z*

Under the current practice, when a county position is funded by Measure Z, the department receives an ongoing allocation to fund those positions. This action would mean the committee would not recommend any new county positions to be funded by Measure Z. This would not prohibit departments from applying for one-time funds, however, as long as the proposed expenditure is one time in nature.

### **Recommendation #7**

*Establish a target of 67% of ongoing revenue to be allocated each year to county departments, to be achieved by FY 2026-27.*

The target amount of 67% represents the average amount of funding that has been allocated to county departments for ongoing costs during FY's 2017-18 through FY 2022-23. As detailed in Attachment 2, county departments annually have received 64% of all available funds (ongoing and one-time funds) on average during that time period, and 79.9% of ongoing revenues on average.

If your committee chooses to move forward with this or a similar recommendation, your committee could choose to:

- recommend that county departments receive annual allocations, as a percentage of ongoing revenue, or
- recommend that county departments and certain other agencies receive annual allocations, as a percentage of ongoing revenue.

Again, your committee could choose to accept, reject, or modify any part of this recommendation. However, further guidance would be requested by staff on this

recommendation in order to further its work with the Measure Z ad hoc, should your committee choose to go this route.

Attachments 1 and 2 are included to provide show the trends on how these funds have been allocated in recent years.

Attachment 1 details the allocations that agencies have received each year, and the value of those allocations as the percentage of all available funding, from FY 2017-28 to the current year. This list include agencies that have received funding in at least 2 consecutive years during that time period.

Attachment 2 provides the average amount those agencies have been allocated from FY 2017-28 to FY 2022-23. Figure A on Attachment 2 shows the value of those allocations as a percentage of all funding available (ongoing and one-time revenue), while Figure B compares the allocations only to the amount of ongoing funding available. Figure C shows the same conditions for the current year.

**Other action**

*Reconsider FY 2023-24 Recommendations After Reductions to County Allocations*

The Board of Supervisors ad hoc will look for opportunities for savings in county Measure Z budget units. Once savings are identified, the Measure Z Committee may wish to reevaluate recommendations for FY 2023-24, including providing partial funding to some of the applicants. Your committee could choose to meet again in the future, or proceed with the prioritized list already provided to the Board.