

MEETING DATE: June 5, 2019

ITEM # 17

SUBJECT:
CONSIDERATION OF A POLICY DOCUMENT TO GUIDE MEASURE N EXPENDITURES

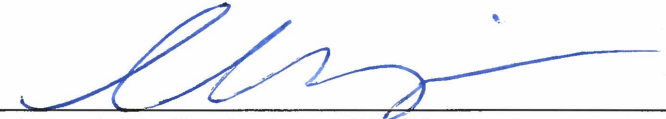
INITIATED OR REQUESTED BY:

 Council Staff

 Other

REPORT COORDINATED OR PREPARED BY:

Jon Robinson, Deputy City Manager



Amanda Berlin, Assistant City Manager

ATTACHMENT Yes No
 Information

 Direction

 Action
OBJECTIVE

The purpose of this report is to request Council consideration of a draft policy document to guide the expenditure of Measure N funds.

RECOMMENDED ACTION

Staff respectfully recommends that the Council approve the draft Measure N policy document in substantially the form shown in Attachment 1.

BACKGROUND

Measure N was a ballot measure proposed by the West Sacramento City Council and approved by West Sacramento voters in November, 2018. The measure added a permanent one-quarter cent sales tax for general purposes. The ballot language read as follows:

To fund public safety and investments in inclusive economic development and community improvements, shall the City of West Sacramento enact a 1/4 percent transactions and use tax (sales tax) providing approximately \$3.4 million annually on an ongoing basis for general revenue purposes?

Measure N is a general tax, the proceeds from which can be used for any lawful purpose. However, as with previous measures, the Council has made it a priority to expend Measure N revenues in a manner that is consistent with the ballot language approved by the voters.

At its strategic planning retreat in February 2019, the Council directed staff to prepare a draft policy document articulating the Council's intent for the use of Measure N funds. Councilmember Ledesma and Mayor Pro Tem Orozco were appointed as a sub-committee to develop the draft policy in collaboration with staff. The policy document attached to this report is the product of that effort.

ANALYSIS

The Measure N ballot language outlines three use categories for Measure N funds: Public Safety, Inclusive Economic Development, and Community Improvements. Each of these uses is summarized individually below. This Analysis section also summarizes the staff/sub-committee recommendations for allocation of funds between these categories, and general terms that are proposed to guide the review process for Measure N funding proposals.

Uses of Funds**Public Safety**

As the name implies, the Public Safety component of Measure N is intended primarily to fund the cost of police and fire personnel, equipment, and facilities, but it could also include other items not directly related to law enforcement or fire protection that enhance or ensure the safety of residents and businesses. For example, if a specific building or geographic area were found to be generating a disproportionate number of emergency service calls, the Council could utilize Measure N funds to fund lighting, surveillance cameras, or other investments designed to improve public safety in that area.

Inclusive Economic Development

The phrase "inclusive economic development" is a term of art that has different meanings in different communities. As interpreted by the sub-committee, this title refers to programs or projects that are designed specifically to serve disadvantaged West Sacramento residents, particularly those who have not yet experienced the quality of life improvements that the City's many public investments have brought to other parts of the community.

Unlike the other funding priorities within Measure N, the Inclusive Economic Development component is targeted to a specific population, as opposed to all City residents. The draft policy achieves this in two ways, one focused on the projects themselves, and the other on the demographics of the areas in which the projects are implemented. At the project level, the draft policy calls for Inclusive Economic Development projects to focus on programs and projects designed to serve disadvantaged persons, to the exclusion of others. For example, a first-time homebuyer program, a façade loan program for businesses, or entrepreneurship classes would all be eligible uses of Measure N Inclusive Economic Development funds.

To create real targeting while reducing the need for individual means testing, the Inclusive Economic Development component of Measure N requires some form of geographically-based prioritization criteria. Ideally, these criteria should be objective, responsive to demographic and other changes in the community over time, and should be calculated by a reliable third party in order to minimize the City's costs.

The California Environmental Protection Agency's (CalEPA) has developed an online tool, the California Communities Environmental Health Screening Tool, (CalEnviroScreen), that exhibits these characteristics. Created to target the investment of proceeds from the State of California's cap-and-trade program, CalEnviroScreen considers a variety of environmental and demographic factors and assigns a score that empirically measures the extent to which residents of individual Census tracts are disadvantaged.

A copy of the current CalEnviroScreen map of West Sacramento is included as Attachment 2. Staff is recommending that areas of the city falling within the 61st or higher percentile (colored red or orange on the most recent version of this map) be automatically eligible for the investment of Measure N Inclusive Economic Development funds. As shown in Attachment 2, the current area of automatic eligibility encompasses the area north of the Barge Canal. In some instances, the Council may wish to utilize Measure N funds for programs and/or projects that extend beyond these boundaries. To accommodate this, the policy also allows Inclusive Economic Development funds to be used for city-wide programs and/or projects designed to serve residents experiencing quality of life challenges as defined in the policy.

Community Improvements

The final component of Measure N is Community Improvements, which are envisioned as projects anywhere in the City that improve the quality of life for residents, and meet the "public good" tests of being both non-rivalrous and non-excludable. Examples of such projects include (but are not limited to) streets, sidewalks, parks, trails, streetlights, and other infrastructure improvements to which the entire community has access.

Allocation of Funds Between Categories

This section summarizes the recommended allocation of Measure N revenues across categories. The sub-committee was emphatic that while the proposed Measure N policy is intended to encourage active use of Measure N funds to address community needs, the policy should not create the impression of a "use it or lose it" approach. Rather, this framework has been designed to facilitate year-to-year rollover of unused funds within each category, which will enable a selective approach to projects and allow the City to accumulate resources for major investments. Individual recommended allocations are discussed below.

Public Safety

Public Safety was a high priority for many voters who supported Measure N. In deference to that sentiment, the proposed Measure N policy allocates 50 percent of annual revenues for Public Safety purposes, with the remaining 50 percent split between the other two categories as described below. Based on an anticipated annual revenue stream of \$3.7 million, annual revenues to the Public Safety component of Measure N are projected to be approximately \$1.85 million. This amount would be "fixed" in the sense that the full 50 percent would be reserved for current or future Public Safety purposes each year, and would not be eligible for projects in the other categories. Additionally, the sub-committee's intent is that the General Fund remain the primary source of funds for Public Safety use, with Measure N revenues used in a supplementary capacity.

Inclusive Economic Development

Staff and the sub-committee recommend that up to 30 percent of annual Measure N revenues, or approximately \$1.11 million annually, be utilized for Inclusive Economic Development projects. Unlike the Public Safety category with its recommended fixed allocation, the 30 percent allocation for Inclusive Economic Development is proposed as a multi-year goal, such that Inclusive Economic Development and Community Improvement categories would be fungible on a year-to-year basis. For example, in a given year, the Council could choose to invest all non-Public Safety Measure N funds in a single, large project in either category, with the intent of achieving the target allocation between categories over time. This approach is intended to give the Council a framework to guide Measure N investments, while preserving flexibility to allow the Council to use these funds opportunistically and to maximum community benefit.

Community Improvement

Staff and the sub-committee recommend that up to 20 percent of annual Measure N revenue, or a projected \$750,000 per year, be utilized for Community Improvement projects. As noted above, this figure is intended as a multi-year target, while actual utilization of funds between Community Improvements and Inclusive Economic Development projects could fluctuate based on available opportunities.

Other Provisions of the Proposed Measure N Policy

In addition to the provisions described above, the proposed Measure N policy document contains additional sections designed to facilitate the presentation of thorough and consistent Measure N funding proposals for the Council's consideration; to create transparency in the consideration of those proposals; and to promote accountability and community understanding of the Measure N program. These provisions, which broadly mirror language found in the Measure E Policy, include the following:

- Threshold criteria
- Prioritization criteria
- Mandatory components for Measure N funding proposals
- Annual tracking and metrics
- Project signs and acknowledgement

Conclusion

While the Council exercises great diligence in the use of all public funds, the community trust embodied by a voter-approved tax measure like Measure N demands the highest possible standard of care. The proposed Measure N policy is intended to provide a framework that will allow the Council to invest Measure N funds in a manner that best suits current needs, while maintaining a high degree of fidelity to the will of the voters who originally approved the measure. Staff respectfully recommends that the Council approve the Measure N policy included as Attachment 1 to this staff report so that it can begin reviewing proposals for the use of Measure N funds.

Commission Recommendation

N/A

Strategic Plan Integration

Depending on the specific uses to which Measure N funds are put, the recommended action facilitates multiple Council Strategic Plan Mission Statement goals, including making West Sacramento a community that has a "Strong, Diverse Local Economy"; "Vibrant Neighborhoods with a Range of Housing Choices"; and is a place where residents feel "Safe and Secure".

Alternatives

The Council's primary alternatives are summarized below.

1. Approve the draft Measure N policy document in substantially the form shown in Attachment 1.
2. Approve the draft Measure N policy document subject to specific changes as directed by Council.
3. Direct staff to make changes to the proposed Measure N policy document and bring it back for Council consideration at a future date.
4. Decline to approve the proposed Measure N policy and direct staff to discontinue work on the policy document.

Alternative 1 is staff's recommendation. Staff is prepared to implement Alternatives 2 or 3 at the Council's direction; however, it should be noted that multiple projects are nearly ready to be considered for investments of Measure N funds, so delaying the approval of the policy also delays the implementation of those projects. Staff does not recommend Alternative 4 because a policy framework to guide the use of Measure N funds is highly advisable as a guardrail to assure ongoing consistency with the voter intent underlying the measure.

Coordination and Review

This report was prepared by the City Manager's Office in collaboration with Councilmember Ledesma and Mayor Pro Tem Orozco, and the Administrative Services Department.

Budget/Cost Impact

This item does not have a budget or cost impact. The budgetary and cost implications of individual proposals for the use of Measure N funds will be discussed in the project-specific reports accompanying them.

ATTACHMENT

1. Proposed Measure N Policy Document
2. CalEnviroScreen Map

DRAFT
Measure N Policy Document

1. Background

Measure N was a ballot measure proposed by the West Sacramento City Council and approved by West Sacramento voters in November, 2018. The measure added a permanent one-quarter cent sales tax for general purposes. The ballot language read as follows:

To fund public safety and investments in inclusive economic development and community improvements, shall the City of West Sacramento enact a 1/4 percent transactions and use tax (sales tax) providing approximately \$3.4 million annually on an ongoing basis for general revenue purposes?

At its strategic planning retreat in February 2019, the Council directed staff to prepare a draft policy document to articulate the Council's intent relative to the implementation of Measure N in accordance with the will of the voters who supported the measure. This Measure N Policy Document was approved by the City Council on ____ 2019.

2. Definitions

For purposes of implementing Measure N, the following terms shall have the meanings shown below.

Community Improvements means City programs or projects that are non-competitive, non-targeted, and are designed to benefit the public at large, as opposed to a particular sub-population. Examples of Community Improvements include, but are not limited to: streetlights; sidewalks; underground utilities; streetscape improvements; and parks, trails and open space improvements.

Competitive describes a program or improvement the normal use of which by one resident materially reduces its availability to other residents. By way of example and not limitation, participation in a City-sponsored eviction assistance workshop would be competitive, because each participant would reduce the number of seats available to other residents. In contrast, a new streetlight is a non-competitive improvement because additional passersby do not reduce the illumination available to existing users.

Inclusive Economic Development means Competitive, Targeted programs or projects the primary purpose of which is to empower and create direct, near-term quality of life improvements for residents experiencing Quality of Life Challenges, primarily within Target Areas in the city. This category is intended to be broad in order to provide the maximum flexibility to meet the needs of all residents experiencing Quality of Life Challenges. City-wide programs eligible only to disadvantaged populations that are heavily represented in Target Areas are also considered Inclusive Economic Development. By way of example and not limitation, all of the following would be considered Inclusive Economic Development if they met the above criteria: employment training; entrepreneurship programs; affordable housing; and pre-eviction counseling for persons at risk of homelessness.

Public Safety refers to the Measure N allocation to the public safety functions of the City. Typically, this includes the costs of police and fire personnel, equipment, and facilities, but it could also include other items not related to law enforcement or fire protection that enhance or ensure the safety of residents and businesses.

Quality of Life Challenge means any condition that negatively impacts residents' lives and is generally experienced with greater frequency in a Target Area than in other areas of the city. By way of example and not limitation, Quality of Life Challenges could include environmental contamination; drug or alcohol addiction; low educational attainment; un- or under-treated mental illness; food insecurity; eviction/risk of homelessness; or lack of marketable job skills.

Target Area means an area that is in the 61st or higher percentile in terms of environmental vulnerability on the most current version of the CalEnviroScreen map published by the Office of Environmental Health Hazard Assessment (OEHHA) of the California Environmental Protection Agency (CalEPA).

Targeted describes a program or other improvement that can legally, feasibly, and appropriately be targeted to specific groups of eligible beneficiaries to the exclusion of others. By way of example and not limitation, a program to educate first-time homebuyers would be considered to be targeted, while a new park would not.

3. Allocation of Measure N Funds

Measure N funds shall be allocated as follows:

Public Safety	50 percent (fixed)
Inclusive Economic Development	30 percent (average over time)
Community Improvements	20 percent (average over time)

The Public Safety allocation is fixed. The City's General Fund should remain the primary source of funding for Public Safety with Measure N revenues used in a supplementary capacity. Annually, City Council will review the Measure N Public Safety allocation and consider shifting those costs to the General Fund if sufficient budget capacity exists, making those Measure N funds available for other supplemental Public Safety uses. The Inclusive Economic Development and Community Improvements allocations may vary year-to-year based on leveraging opportunities and other factors, but the average of these allocations over time should approximate the distribution above.

4. Multi-Benefit Projects

Some projects may include components that meet the definitions of Inclusive Economic Development, and other components that are Community Improvements. In those instances, the Council may designate the categories from which it wishes to invest Measure N funds in order to effectuate the complete project. Generally, the Council will fund project components proportionately from their respective categories, but could also choose to fund the entire project from one or the other category, within the context of maintaining the above-referenced 30-20 allocation over time.

5. Staff Costs

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

- a. Staff expenses from the following sources may be paid from Measure N:
 - i. Enterprise and direct-billing operations (e.g. Water, Sewer, Development Engineering, PW Engineering)
 - ii. New positions proposed to be created to effectuate Measure N-funded projects

iii. Overtime costs that would not otherwise have been incurred but for the Measure N project.

b. The salaries of existing non-enterprise/direct-billing City staff may not be charged to Measure N, even if their workload increases as a result of Measure N-related projects.

Measure N 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.

6. Threshold Criteria

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

- a. Measure N Consistency The uses of Measure N funds shall be consistent with the ballot language and a common-sense interpretation of voter intent in passing Measure N.
- b. Policy Context The proposed uses of Measure N shall be supportive of, and consistent with, other existing Council policies and priorities.
- c. Supplement, Don't Supplant Non-Public Safety Measure N funds shall be used to supplement, but not supplant, existing funding sources.
- d. Leverage Measure N is intended to fund projects for which both existing funding sources and leveraging opportunities are limited or non-existent. However, staff should still seek to leverage Measure N funds wherever possible.

7. Prioritization Criteria

Proposed uses of Measure N funds that meet the threshold criteria will be ranked according to the following category-specific criteria.

Public Safety

Allocation of Measure N Public Safety funds shall be made based on the most urgent public safety needs at the time as determined by the Council.

Community Improvements

The Community Improvements component of Measure N shall prioritize projects that have the potential to catalyze the greatest positive change for the community in which the proposed improvements are located, and/or the city at large.

Inclusive Economic Development

The Inclusive Economic Development component of Measure N shall prioritize programs and projects that offer the greatest positive impact on the quality of life for vulnerable West Sacramento residents, particularly those who have not been well-served by previous City or other public programs.

8. Transparency

Each proposal for the expenditure of Measure N funds shall be presented in a format and level of detail consistent with normal budget requests presented to the Council. Funding proposals in the Community Improvements and Inclusive Economic Development categories 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 N-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 N 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 N 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 N 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.
- g. Community Input A discussion of if/how the community that will be affected by the proposed program or project has been given the opportunity to provide input during the development of the funding proposal

9. Annual Tracking and Metrics

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

10. Public Acknowledgement

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

CalEnviroScreen Map

http://oehha.ca.gov/calenviroscreen/maps-data

