

Citizens Oversight Committee/Citizens  
Finance Advisory Committee (CFAC)

# Annual Report to Council

February 24, 2025

# Summary of 2023/2024 CFAC Activities

## What We Did

- CFAC reviewed and commented on measure Q/E transactions for Fiscal Year 2022-2023.
- Joint meeting with City Council on Council expectations of CFAC; CFAC special work program items.
- Joint meeting with PWAB re: capital projects and capital project priorities.
- Review of required semi annual reports on Q/E revenues and expenditures.
- Reviewed and commented on FY 2024/25 budget proposals.
- Reviewed and commented on FY 2024/25 budget amendments for Police and Fire.
- Review Public Information Strategies to Enhance Access and Transparency.
- Initiated review of potential new or augmented revenue sources; formed a subcommittee to execute work program.
- Information and training on sales tax sources and trends.

# CFAC Functions and Duties

## Our Responsibilities

- Citizens Oversight Committee
  - Review annual revenue/expenditure report for Measures Q and E relative to activities funded by the measures.
  - Review semi-annual revenue and expenditure report relative to activities funded by Measure Q and E.
  - Report on conformance of Q/E expenditures with voter measures and council priorities.
- Citizens Finance Advisory Committee
  - Provide citizen input on projects, City budget and other Items.
  - Promote citizen participation and understanding of financial information.
  - Review and comment on the city budget prior to presentation to the City Council.
  - Undertake special financial projects as directed by City Council, City Manager or City Treasurer.
    - PERS/OPEB Liabilities
    - City Council Compensation
    - Mid-Year Budget Adjustments
    - City Council Goals
    - Harbor Lease Policy (w/HAB)
    - Joint Meeting with PWAB re: Capital Projects
    - 10-Year Financial Forecast (former duty)
    - Review Quarterly Financial Reports (former duty)
    - Review of Audit (former duty)
    - City Revenues
    - Joint Meeting with Council

# CFAC Functions and Duties

- As the Citizens Oversight Committee, report on the conformity of usage of Measure Q and Measure E revenues with adopted policy (April 13, 2021) and the “requirements of the ordinance”. Legislative Intent (See Next Slide). Current Council Policy:
  - Fund Police, Fire and Harbor Public Safety Positions
  - Maintain and Enhance Community Cleanliness and Safety
  - Invest in Infrastructure Such As Street Paving, Storm Drains, and Vehicle Replacements.
  - Fund Positions to Address the Backlog of Funded Capital Projects
  - Maintaining Appropriate Reserves
- As the CFAC, report on budget review, with particular emphasis on the budget for Measures Q and E.
- Make recommendations to the City Council on how to improve transparency, maintain compliance, promote citizen participation, and increase effectiveness.

# Legislative Purposes of Q/E Ordinances as Approved by The Voters

<u>Purpose and Use of Funds</u>	<u>Measure</u>	
	<u>Q (2006)</u>	<u>E (2020)</u>
Maintain Police Department Services	x	x
Maintain Fire Department Services		x
Maintain 24/7 Paramedic Services		x
Maintain 911 Emergency Response		x
Upgrading Fire/Paramedic Equipment	x	
Fire Stations	x	
Health Emergency/Disaster Preparedness		x
Keeping Beaches and Public Areas Safe and Clean		x
Retaining/Attracting Businesses		x
General City Services	x	x
Street Maintenance and Pothole Repairs	x	
Improve Storm Drains to Protect the Bay	x	
CFAC Role	“Review Annual Expenditures to Ensure That They Were Made in Accordance with the Requirements of the Ordinance.	“Public Oversight” “Semi-Annually Review Revenues and Expenditures”

- Q/E revenues have increased from \$2M in 2020/21 (pre E-20) to \$4.5M in 2023/24.
- Revenue has been flat for two consecutive years and are expected to go down in 2024/25.
- Police, Fire and streets were the primary (98%) expenditures pre-E-20. They now represent a little more than half (56.1%).
- In 2020/21 24% of revenue was spent on departmental services (personnel, services, supplies and minor capital), with 76% spent on capital.
- As of the 2024/25 budget, that pattern has reversed with 76% spent on departmental services and 24% spent on capital.
- By 2030, 90% of Q/E will be necessary to support the same level of services, with less than \$625,000 available that year and beyond for major capital like road paving.
- Over the past five years \$\_\_\_\_\_ M of Q/E has been transferred to capital, with \$\_\_\_\_\_ M unspent or uncommitted.

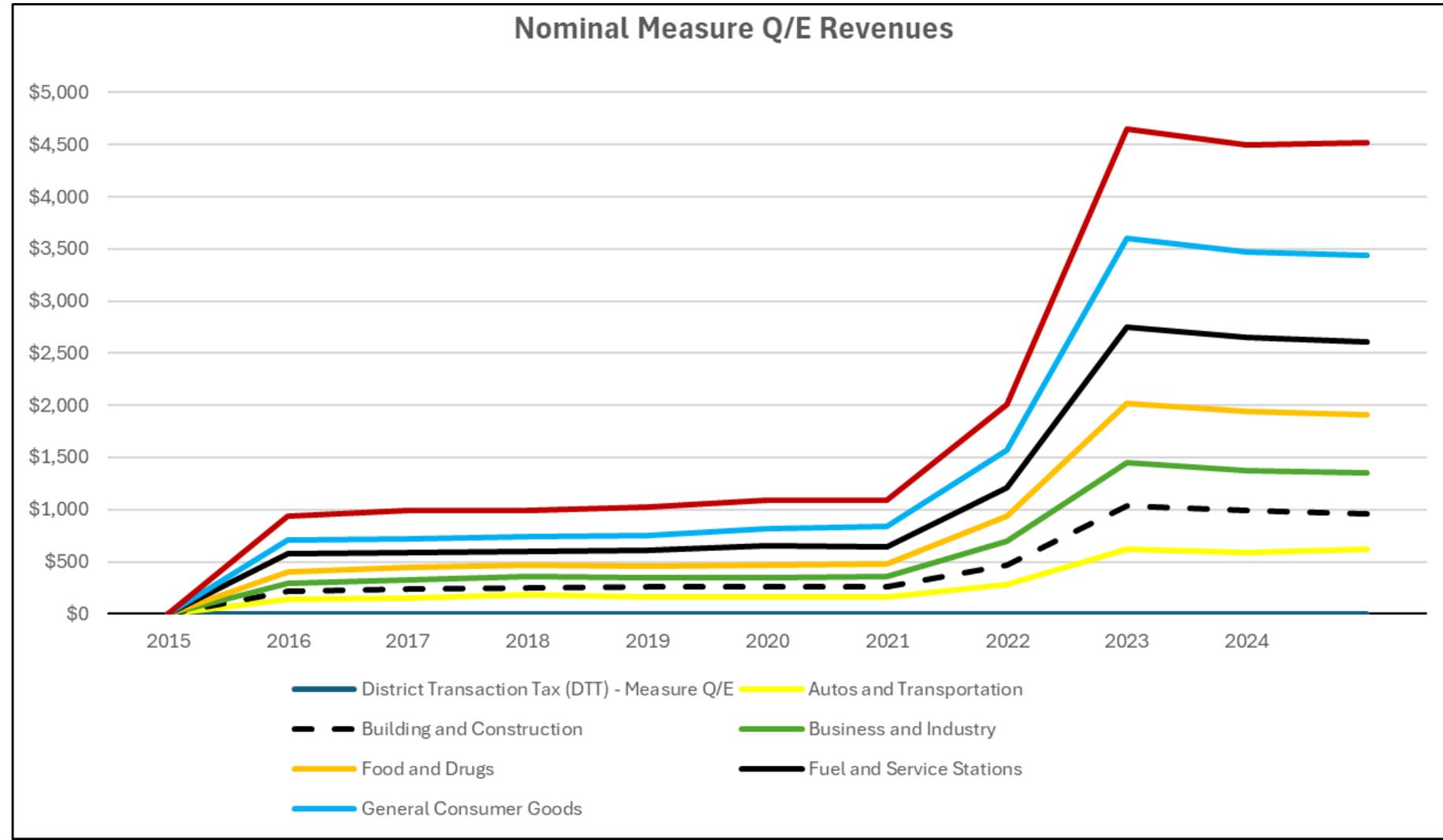
	QE Departmental Expenditures				
	Actuals				Budgeted
	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Revenue (Growth @ 2.5%)</b>	\$ 2,044,970	\$ 4,710,089	\$ 4,578,570	\$ 4,519,482	\$ 4,313,735
<b>Police</b>					
Personnel Services	\$ 82,668	\$ 401,879	\$ 719,235	\$ 723,834	\$ 789,861
Supplies	\$ 20,297	\$ -	\$ 15,731	\$ 17,658	\$ -
Services		\$ 113,823	\$ 102,350	\$ 40,323	\$ 47,073
Capital Outlay		\$ -	\$ 12,605	\$ 75,938	\$ 30,000
Other Expense	\$ 29,162	\$ 8,794	\$ 18,176	\$ 20,960	\$ 36,720
Debt Services					
<b>Total Q/E</b>	\$ 132,127	\$ 524,496	\$ 868,097	\$ 878,713	\$ 903,654
<b>Total Department Budget</b>	\$ 4,184,902	\$ 4,198,770	\$ 5,239,977	\$ 5,671,123	\$ 5,800,262
<b>Q/E Pcnt of Dept Budget</b>	3.2%	12.5%	16.6%	15.5%	15.6%
<b>Pct of Q/E Departmental</b>	26.8%	32.1%	35.0%	30.3%	27.6%
<b>Fire</b>					
Personnel Services	\$ 200,723	\$ 716,741	\$ 896,565	\$ 854,660	\$ 925,146
Supplies	\$ 17,876				
Other Expense	\$ -				
Services	\$ -		\$ 1,900	\$ 1,300	
Capital Outlay	\$ 64,823				
Debt Service	\$ 67,712	\$ 82,888			
<b>Total Q/E</b>	\$ 351,134	\$ 716,741	\$ 898,465	\$ 855,960	\$ 925,146
<b>Total Department Budget</b>	\$ 3,570,443	\$ 3,563,730	\$ 4,197,337	\$ 4,285,813	\$ 4,083,994
<b>Q/E Pcnt of Dept Budget</b>	9.8%	20.1%	21.4%	20.0%	22.7%
<b>Pct of Q/E Departmental</b>	71.1%	43.9%	36.2%	29.5%	28.3%
<b>Harbor</b>					
Personnel Services		\$ 48,360	\$ 138,560	\$ 124,941	\$ 187,397
Supplies			\$ 1,057	\$ 3,300	\$ 6,300
Other Expense					
Services		\$ 80,232	\$ 79,856	\$ 122,030	\$ 120,000
Capital Outlay		\$ 48,564		\$ 72,000	
Debt Service					
<b>Total Q/E</b>	\$ -	\$ 177,156	\$ 219,473	\$ 322,271	\$ 313,697
<b>Total Department Budget</b>	\$ 1,520,466	\$ 1,740,564	\$ 1,983,349	\$ 2,290,606	\$ 2,613,403
<b>Q/E Pcnt of Dept Budget</b>	0.0%	10.2%	11.1%	14.1%	12.0%
<b>Pct of Q/E Departmental</b>	0.0%	10.8%	8.8%	11.1%	9.6%
<b>Public Works</b>					
Personnel Services		\$ 173,856	\$ 436,657	\$ 427,390	\$ 707,769
Supplies	\$ 10,400	\$ 4	\$ -		\$ -
Other Expense					
Services		\$ 42,235	\$ 57,725	\$ 335,725	\$ 420,000
Capital Outlay				\$ 81,215	
Debt Service					
<b>Total Q/E</b>	\$ 10,400	\$ 216,095	\$ 494,382	\$ 844,330	\$ 1,127,769
<b>Total Department Budget</b>	\$ 2,287,481	\$ 2,824,062	\$ 4,138,601	\$ 4,137,776	\$ 4,508,751
<b>Q/E Pcnt of Dept Budget</b>	0.5%	7.7%	11.9%	20.4%	25.0%
<b>Pct of Q/E Departmental</b>	2.1%	13.2%	19.9%	29.1%	34.5%
<b>Q/E Departmental</b>	\$ 493,661	\$ 1,634,488	\$ 2,480,417	\$ 2,901,274	\$ 3,270,266
<b>Percent of Total Q/E</b>	24.1%	34.7%	54.2%	64.2%	75.8%

# Measure Q/E Overview Findings and Recommendations

- **Overall Findings Re: Conformity of Expenditures:**
  - Expenditures were in generally in conformance with adopted budgets, although there were some areas that were underspent or there were no expenditures.
  - Some re-allocation of funds for purposes not reviewed by CFAC.
  - Reporting of Capital expenditures from Q/E funds should improve so that CFAC can track all of the actual expenditures and activities funded, not for just the most recent fiscal year.
  - Generally in conformance with the Council's priorities.
- **Other Findings**
  - 2024/25 Budget projects a 5.2% decline in Q/E revenues.
  - Sales tax/QE revenues are projected to stay flat and/or lose purchasing power. There is no real fund balance to work from anymore.
  - Completing the Citywide Capital & Facilities Planning Project as started in 2022 is essential to enable the Council, CFAC and the community to make informed decisions going forward.
  - Significant back-log of funded capital projects.

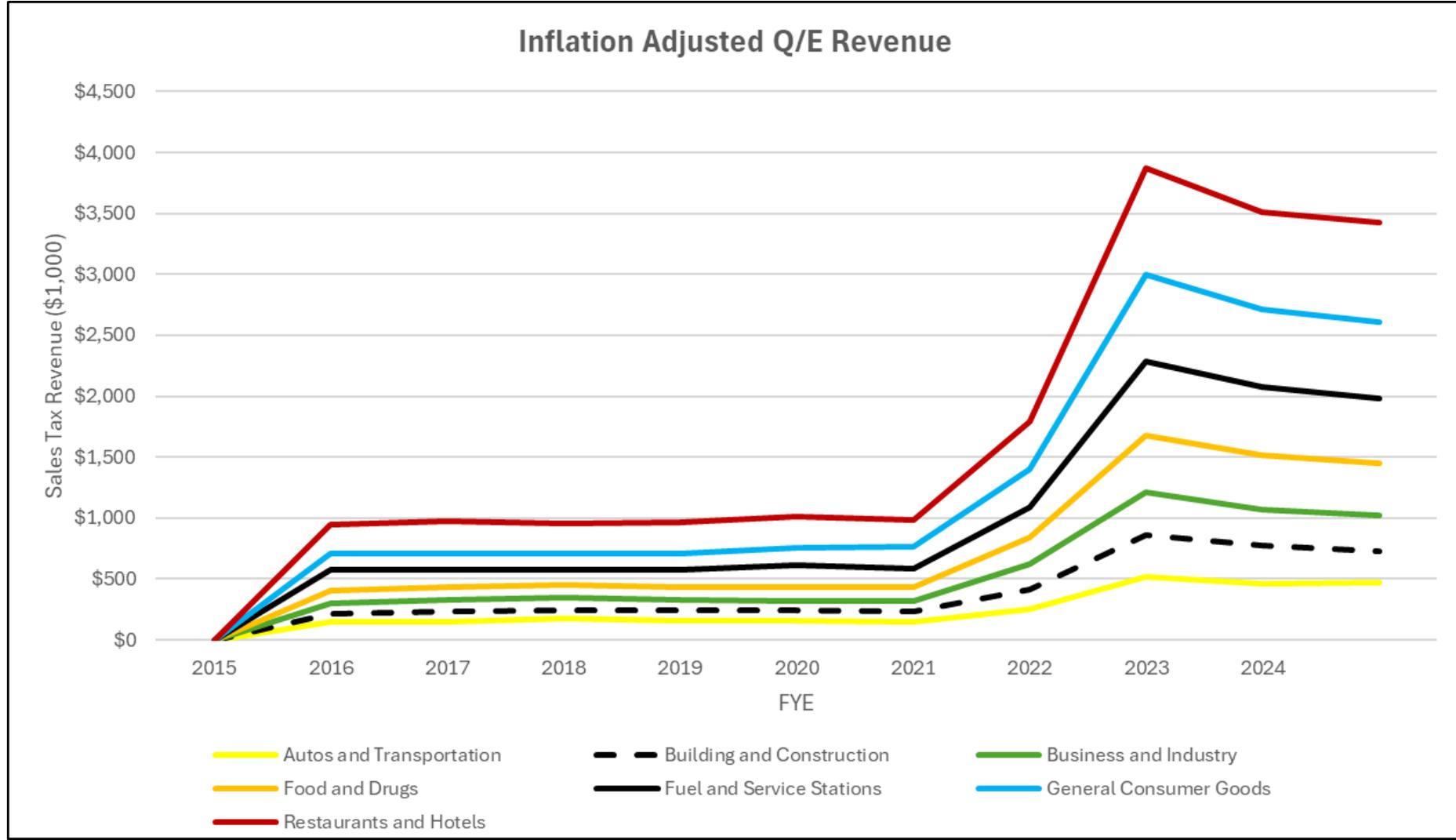
# Nominal Q/E Revenues (Not Inflation Adjusted) 2015-2024

- Q/E Revenues have grown.
- Rapid growth during COVID and after Measure E approved.
- Note flat growth from 2015 to 2020. Measure Q only.
- Fall off in 2023, 2023 and 2024 as visitors had other choices for travel.
- Is “post COVID” pattern the new normal.



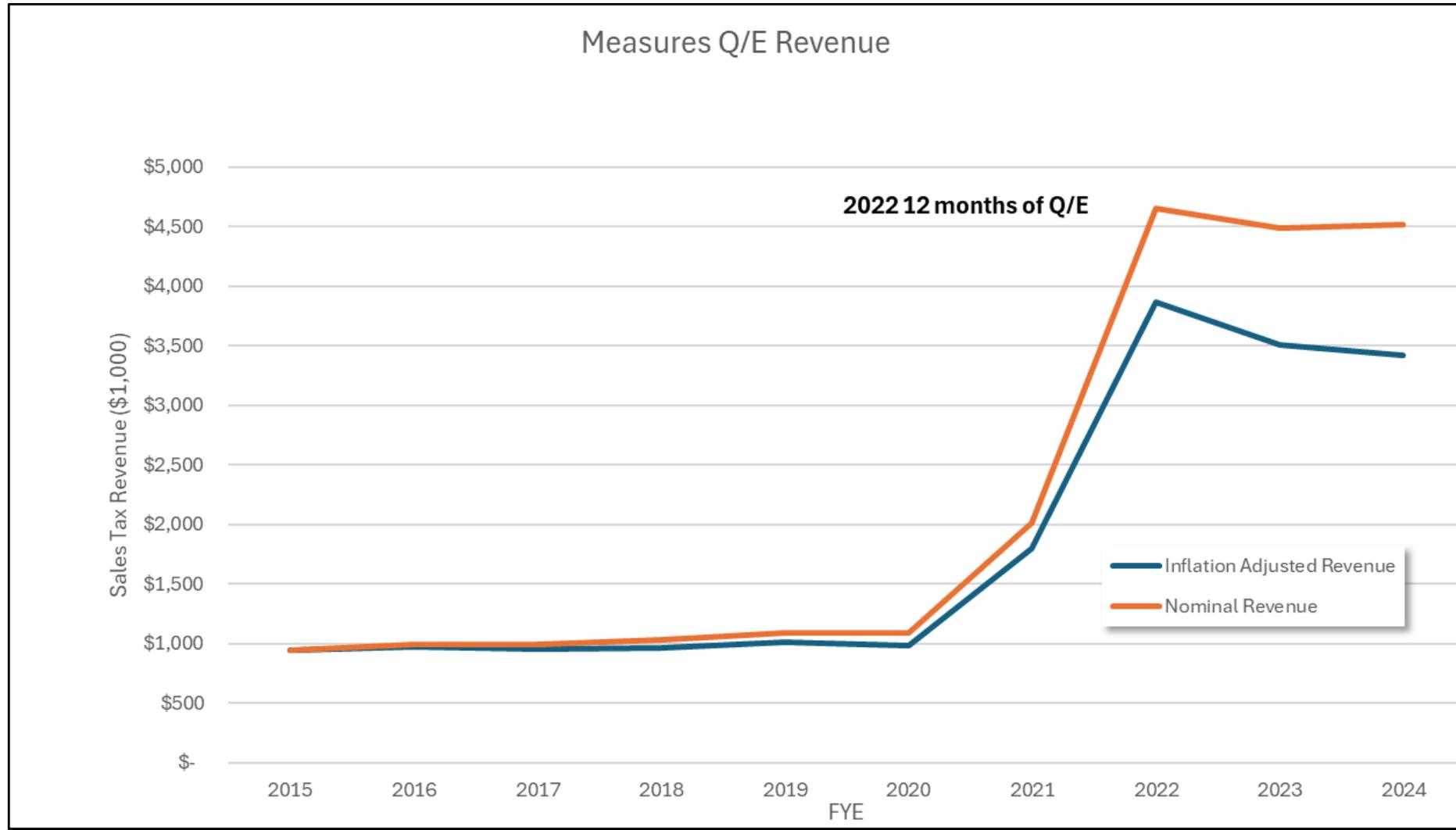
# Inflation Adjusted Revenues 2015-2024

- Inflation adjustment measures volume of taxable goods and services.
- 28.4% CPI increase from 2015-2024; “real” growth in local retail economy has been 1.08% per year since 2025.
- 16.9% CPI increase post COVID; 3% decline in Q/E revenue for a net “real” decline of 12.5%
- Note flat growth from 2015 to 2020. Measure Q only.
- Compounded fall off in 2023, 2023 and 2024 as visitors had other choices for travel.



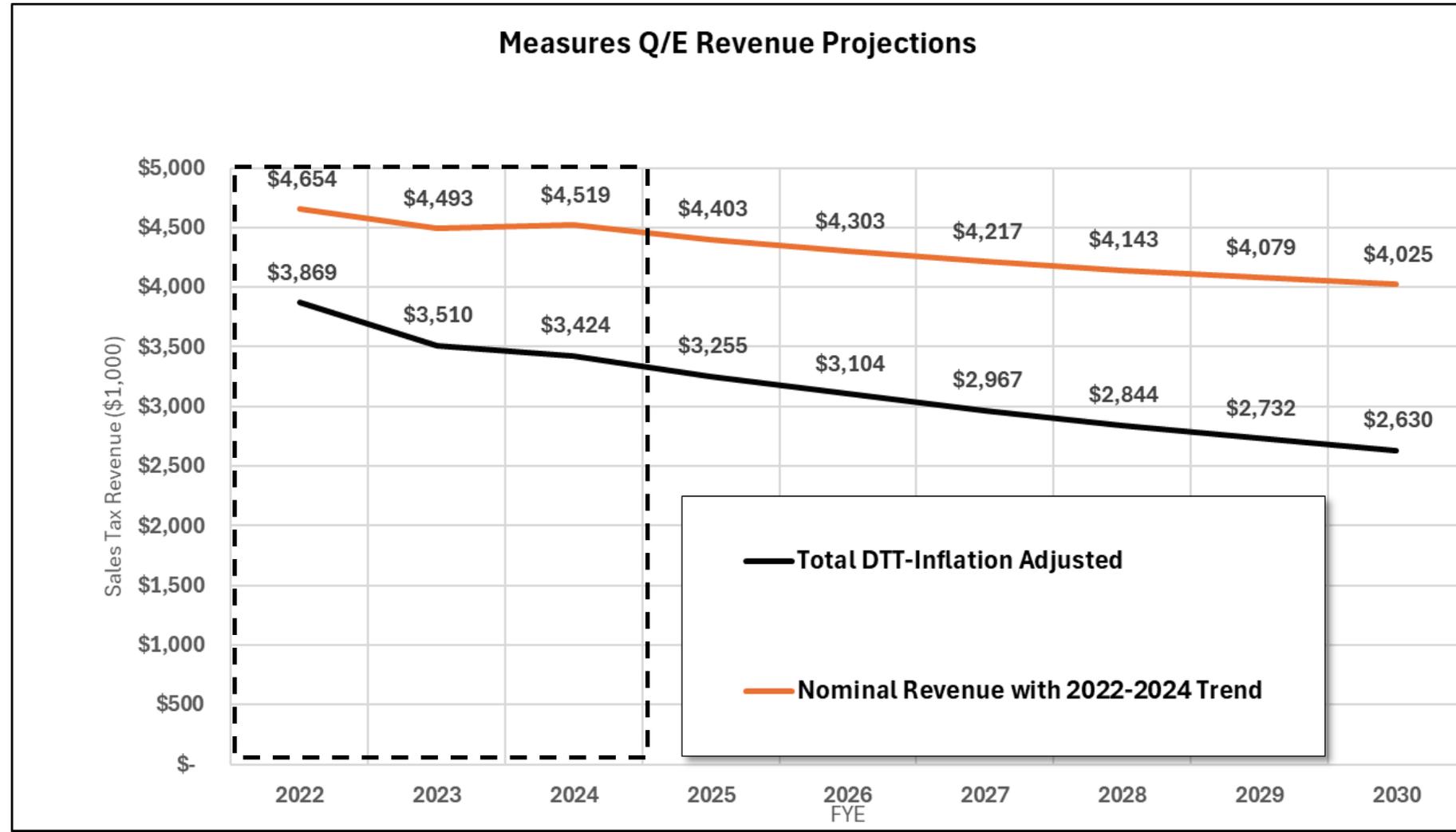
# Nominal and Inflation Adjusted Q/E Revenues 2015-2024

- Q/E Revenues historically flat, now declining



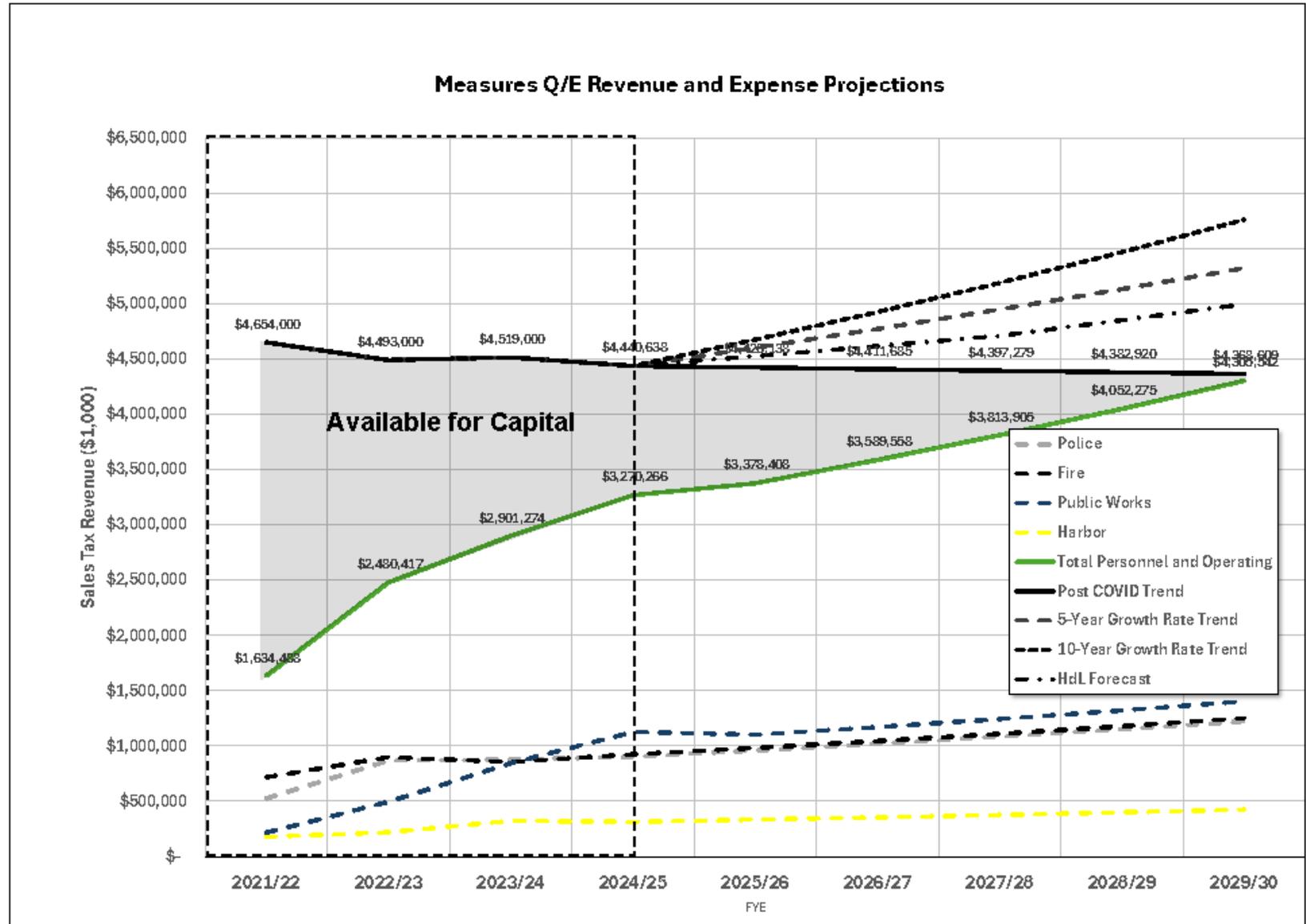
# Q/E Revenue Projections 2022-2030

- Nominal Q/E revenues projected to \$4 million by 2030.
- Q/E revenues will lose an additional 15%-20% of purchasing power.
- Compounded fall off in 2023, 2023 and 2024 as visitors had other choices for travel.



# Q/E Revenue vs Q/E Operating and Personnel Expense Projections 2022-2030

- City continues to make commitment to personnel and operating from Q/E.
- Currently at \$3.3M of \$4.4M revenue (74%).
- Personnel and operating projected at 6.25% against declining nominal and real Q/E revenues.
- Amount available for capital (road repair, major equipment, etc.) will be \$0 by 2029/30; several years later if HdL forecasts are correct.
- Choices need to be made now about services funded from Q/E going forward.
- Corrective action is possible to reverse decline in revenue.



# Measure Q/E Overview Findings and Recommendations

- **Transparency, Compliance Maintenance, Citizen Participation, and Effectiveness**
  - Review and establish new expenditure policy and priorities for Q/E Funds, especially given recent revenue decline and projected declining purchasing power.
  - Continue to involve the CFAC in joint meetings and special projects.
  - Earlier involvement in the review of existing QE funded capital projects and the selection of projects for funding in each budget cycle.
  - Early CFAC review of funding and activity changes.
  - Review 10-Year revenue projections and 10-Year projections of commitments.
  - Semi-Annual review of expenditures.
  - Regular joint meetings with PWAB for capital projects.
  - Improve video and audio quality of broadcasts.
  - Provide historic, proposed and projected expenditures by legislative intent categories.
  - Better explanation of changes and variances in a budget year.