



MEMORANDUM

TO: Citizens' Sales Tax Oversight Committee

FROM: Nicole Valentine, Administrative Services Director

SUBJECT: Measure E-24 10-Year Revenue and Expenditure Plan

DATE: April 17, 2026

RECOMMENDATION:

In preparation for the adoption of the FY 2026-27 Mid-Cycle Budget Update, recommend to the City Council that the proposed use of Measure E-24 Local Sales Tax funds, as referenced in the report are consistent with approved priorities of the Local Revenue Measure E-24 Local Sales Tax.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Approval of the draft Measure E-24 10-Year Revenue and Expenditure Plan (the Plan), as provided in Attachment 1, would formally establish the proposed allocation of approximately \$57,487,735 in Measure E-24 Local Sales Tax revenues over the 10-year planning period. Adoption of this plan does not create new staffing positions nor does it have immediate personnel impacts. The main goal of the Plan, however, is to provide a long-range framework for funding infrastructure. Financially, the plan serves as a guiding document to ensure Measure E-24 funding is allocated in alignment with voter-approved and goals of spending on street and sidewalk repair projects and similar Council priorities, while maintaining flexibility to adjust allocations as appropriate project scopes, costs, and revenue projections are refined through the City's Biennial and mid-cycle budget processes.

BACKGROUND:

In November 2024, voters in the City of Arroyo Grande approved Measure E-24, a Transactions and Use Tax measure, which increased the local sales tax rate from 7.75% to 8.75%. As part of the City's commitment to transparency and accountability, on February 25, 2025, the City Council directed staff to begin steps toward establishing a Citizens' Sales Tax Oversight Committee (CSTOC).

On [April 22, 2025](#)¹, before the passage of Measure E-24, the City Council reviewed the plan to address pavement maintenance for all streets throughout the City over the next

¹ <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=14368>

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13 years. The Council decided that this plan be used for annual pavement management scheduling and budgeting purposes for the 10-Year Capital Improvement Program (10-Year CIP) Budget and future budgets. This funding is projected to address pavement maintenance for nearly all public streets, except Harden Street and parts of Coach Road and Branch Mill Road. Annual costs over thirteen years are estimated at \$5.0 million to \$5.5 million per year, except for FY 2025-26, which is estimated at \$6.45 million. Carryover can be used to address the higher cost for that fiscal period.

On [August 26, 2025](#)², the City Council reviewed the plan to address sidewalk maintenance associated with the \$500,000 of Measure E-24 funds appropriated in the 10-Year CIP. A majority of the over 4 inch deficiencies have been repaired and the 3-4 inch deficiencies are being addressed along with identified sidewalk gaps. Table 1 summarizes the results of the sidewalk evaluation:

Table 1: Summary of Sidewalk Deficiencies

| | ½ - ¾ in | ¾-1 in | 1-2 in | 2-3 in | 3-4 in | Over 4 in |
|----------------------|----------|---------|---------|-----------|-----------|-----------|
| Number identified | 931 | 706 | 406 | 121 | 27 | 13 |
| Total area (sq. ft.) | 40,105 | 37,546 | 33,361 | 10,947 | 3,426 | 2,104 |
| Number due to trees | 174 | 156 | 142 | 59 | 12 | 9 |
| % due to trees | 19% | 22% | 35% | 49% | 44% | 69% |
| Total cost to repair | \$1.4 M | \$1.3 M | \$1.2 M | \$383,000 | \$120,000 | \$73,000 |

On [January 27, 2026](#)³, the City Council authorized the City Manager to execute a construction contract for the 2026 Pedestrian Improvements Project for Sidewalk Improvements. Table 2 provides a breakdown of the funding sources for this project.

| Table 2 - Funding Sources | |
|---|------------------------|
| HSIPL-5199(039) Grant | \$ 340,560.00 |
| Measure O-6 (FY 24-25 Carryover) | \$ 283,535.00 |
| Sales Tax E-24 (FY 25-26 Sidewalk Repairs & Improvements) | \$ 500,000.00 |
| | \$ 1,124,095.00 |

The project includes three main components:

1. East Branch Street Streetscape and Safety Improvements
2. Elm Street and Sunset Drive Sidewalk Gap and Intersection Improvements
3. Citywide Sidewalk Repairs

Investing in the repair of sidewalk deficiencies provides important risk management benefits in addition to improving accessibility and neighborhood walkability. Proactively addressing uneven surfaces, cracks, and other hazards can significantly reduce the

² <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=15708>

³ <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=16950>

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likelihood of trip-and-fall incidents, which are a common source of liability claims against the City. Over time, this can lead to lower claims exposure, reduced legal and settlement costs, and a safer public right-of-way for residents and visitors.

The CSTOC held the introductory meeting on [January 9, 2026](#)⁴. At this meeting, the CSTOC received and filed the Bylaws and selected a Chair and Vice Chair. The CSTOC also received and filed the Pavement Management Plan (PMP) and 10-Year Measure E-24 Sales Tax Fund Expenditure Program Report. During the meeting, the Committee also provided the following direction to staff:

- Develop a plan identifying how Measure E-24 funding will be allocated towards infrastructure and public safety priorities, including examples of planned expenditures;
- Provide the proposed PMP and 10-Year CIP reports prior to City Council review, allowing CSTOC an opportunity to provide input in advance of Council action;
- Provide a comparison of expenditures before and after the implementation of Measure E-24, to illustrate the tertiary impacts of the Measure's passage; and
- Incorporate Measure E-24 revenue and expenditure information as part of the Measure O-06 reporting provided to residents.

ANALYSIS OF ISSUES:

Measure E-24 Funding Allocation Plan

The proposed Measure E-24 Funding Allocation Plan is provided as Attachment 1. The plan outlines the City's approach to allocating Measure E-24 revenues toward key infrastructure, including PMP and sidewalk improvements, consistent with the intent of the Measure and direction provided by the City Council. It includes a summary of funding categories and illustrative anticipated expenditures to support the maintenance of long-term capital needs. This framework is intended to guide decision-making while maintaining flexibility to respond to evolving community priorities and fiscal conditions. Table 3 shows an overview of projects and total funding spent over the 10-Year period. Details by fiscal year are included in Attachment 1.

⁴<https://pub-arroyogrande.escribemeetings.com/Meeting.aspx?Id=fbeb4aca-eda6-488d-aac6-5d3afa82ddf&Agenda=Agenda&lang=English&Item=9&Tab=attachments>

Table 3: Summary of Measure E-24 10-Year Expenditure Plan

| Request Title | 10-Year Total |
|--|----------------------|
| Mason Street Bridge | 1,147,000 |
| Striping and Sidewalk Improvements | 4,500,000 |
| Pavement Management Program | 46,738,235 |
| Halcyon Road Complete Streets/PMP | - |
| East Grand St. Streetscape Planning & Construction | 2,010,000 |
| Branch Mill Road Slope Stabilization | 2,600,000 |
| Harden Street Slope Stabilization | 200,000 |
| Subtotal Improvements | 57,195,235 |
| Annual Audit and Sales Tax Report | 67,500 |
| Contingency | 225,000 |
| Subtotal Other Expenses | 292,500 |
| Total Expenses | 57,487,735 |

CSTOC Review of PMP and 10-Year CIP

The proposed 10-Year CIP is included in Attachment 2 and reflects the City’s long-term infrastructure planning and investment priorities, including projects supported by Measure E-24 funding. While not specifically requested by the CSTOC, the Measure O-06 report is also provided as Attachment 3, as it represents a significant existing revenue source supporting the CIP and provides additional context for the City’s overall funding strategy. The Pavement Management Plan (PMP) was last presented to the City Council on April 22, 2025, as noted in the Background section of this report. Staff is currently advancing implementation efforts, with engineering design services for the 2025 Street Repairs project underway and a Request for Proposals (RFP) for construction anticipated to be issued in May.

Pre- and Post-Measure E-24 Expenditure Comparison

A comparative analysis of historical and projected expenditures for pavement management and street maintenance, is presented in Tables 4 and 5. Table 4 summarizes actual expenditures over the five-year period FY 2020-21 through FY 2024-25, totaling approximately \$17.7 million.

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Table 4: Actual Revenues for FY 2020-21 through FY 2024-25

| Revenue Sources | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | Pre-Measure E-24 5-Year Total |
|---------------------------|------------------|------------------|------------------|------------------|------------------|----------------------------------|
| Monthly Highway Users Tax | 404,494 | 426,981 | 481,633 | 519,492 | 534,542 | 2,367,142 |
| SB 1 - RMRA * | 146,328 | 540,280 | 409,192 | 473,154 | 500,673 | 2,069,626 |
| General Fund | 238,890 | 1,207,359 | 348,730 | 685,872 | 1,867,014 | 4,347,866 |
| Measure O-06 Sales Tax | - | 361,165 | 192,263 | 3,784,199 | 2,096,961 | 6,434,588 |
| ARPA Funds | - | - | - | - | 236,328 | 236,328 |
| Interest Earned | (105) | 1,613 | 3,903 | 2,707 | 7,571 | 15,688 |
| Other Revenues | 1,274 | - | - | - | - | 1,274 |
| Urban SHA | - | 131,000 | - | 413,000 | 966 | 544,966 |
| Transportation Fund | 225,000 | 266,004 | 351,000 | 399,996 | 441,953 | 1,683,953 |
| | 1,015,881 | 2,934,402 | 1,786,720 | 6,278,419 | 5,686,008 | 17,701,430 |

*RMRA stands for Road Maintenance and Rehabilitation Account

Table 5 reflects the adopted and estimated budgets and projected revenues for FY 2025-26 through FY 2029-30, totaling approximately \$33.1 million over the five-year period. Collectively, these tables illustrate a significant increase in planned investment in the City's pavement and street infrastructure.

Table 5: Projected Revenues for FY 2025-26 through FY 2029-30

| Revenue Sources | Budgeted | Budgeted | Estimated | Estimated | Estimated | Post Measure E-24 5-Year Total |
|---------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------------------|
| | FY 2025-26 Budgeted | FY 2026-27 Budgeted | FY 2027-28 Budgeted | FY 2028-29 Budgeted | FY 2029-30 Budgeted | |
| Monthly Highway Users Tax | 547,800 | 557,400 | 574,100 | 591,300 | 609,000 | 2,879,600 |
| SB 1 - RMRA * | 496,900 | 514,800 | 530,200 | 546,100 | 562,500 | 2,650,500 |
| General Fund | 646,736 | 75,000 | 75,000 | 75,000 | 75,000 | 946,736 |
| Measure E-24 Sales Tax | 3,577,640 | 5,296,200 | 5,039,000 | 4,629,000 | 4,854,400 | 23,396,240 |
| Transportation Fund | 620,000 | 655,000 | 655,000 | 655,000 | 655,000 | 3,240,000 |
| | 5,889,076 | 7,098,400 | 6,873,300 | 6,496,400 | 6,755,900 | 33,113,076 |

*RMRA stands for Road Maintenance and Rehabilitation Account

The comparison also reflects a shift in funding composition, including a reduction in the proportion of General Fund and Measure O-06 resources historically directed toward these efforts. With the implementation of Measure E-24, Measure O-06 revenues are now able to be reallocated to support a broader range of previously unfunded or underfunded infrastructure projects, thereby expanding the City's overall capacity to address long-term capital needs. These projects are detailed further in Attachment 3 and are expected to provide substantial long-term benefit and value to the community through improved infrastructure condition and service levels.

Integration with Measure O-06 Reporting

Measure E-24 revenue and expenditure information will be incorporated into the City's existing Measure O-06 reporting framework following the close of Fiscal Year 2025-26 on June 30, 2026. The City began collecting Measure E-24 local sales tax revenues on April 1, 2025, generating \$1,412,062.51 during the fourth quarter of Fiscal Year 2024-25. Expenditures during this same period were limited to \$3,034.56 in administrative fees

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associated with establishing the new Sales Tax Fund with the California Department of Tax and Fee Administration, resulting in a beginning fund balance of \$1,409,027.95 for Fiscal Year 2025-26. During the current fiscal year, the City has received \$3,372,279.62 in Measure E-24 revenue from July 1, 2025 through January 31, 2026. This information has been incorporated into the Measure E-24 Local Sales Tax Fund Expenditure Program and will be included in future combined reporting to enhance transparency and provide a comprehensive overview of voter-approved sales tax measures.

ALTERNATIVES:

The following alternatives are provided for the Committee's consideration:

1. Recommend to the City Council the proposed use of Measure E-24 Local Sales Tax funds as referenced in the report and consistent with approved priorities of the Local Revenue Measure E-24 Local Sales Tax; or
2. Provide other direction to staff.

ADVANTAGES:

An advantage of approving this staff report and the proposed Measure E-24 10-Year Revenue and Expenditure Plan is that it provides a clear, CSTOC-endorsed long-term funding framework that aligns available Measure E-24 revenues with identified infrastructure priorities. This structured approach enhances fiscal transparency and accountability, improves planning and delivery of capital projects, and allows the City to strategically leverage Measure E-24 revenues to address deferred and unfunded needs while freeing other funding sources for additional community priorities.

DISADVANTAGES:

No disadvantages have been identified from receiving this report.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. Draft Measure E-24 10-Year Revenue and Expenditure Plan
2. Draft 10-Year Capital Improvement Program
3. Draft Measure O-06 10-Year Revenue and Expenditure Plan