

**SAN RAFAEL CITY COUNCIL
FINANCE SUBCOMMITTEE MEETING**

Wednesday, January 22, 2025 | 10:00 AM – 11:00 AM

**THIRD FLOOR CONFERENCE ROOM
SAN RAFAEL CITY HALL
1400 FIFTH AVENUE, SAN RAFAEL, CALIFORNIA**

Watch Online:

Watch on Zoom Webinar: <https://tinyurl.com/fin2025-01-22>

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AGENDA

1. Call to Order

2. Open Time for Public Expression

The public is welcome to address the Subcommittee at this time on matters not on the agenda that are within its jurisdiction. Please be advised that pursuant to Government Code Section 54954.2, the subcommittee is not permitted to discuss or take action on any matter not on the agenda unless it determines that an emergency exists, or that there is a need to take immediate action which arose following posting of the agenda. Comments may be no longer than two minutes and should be respectful to the community.

3. Voter-Approved Tax Oversight Committee Annual FY2023-24 Report (*Finance*)

The Subcommittee will receive a preview of a City Council agenda item related to the FY2023-24 Annual Report submitted by the Voter-Approved Tax Oversight Committee. This report is schedule for the City Council meeting of 2/3/25.

4. FY 2024-25 Mid-Year Budget Update (*Finance*)

The Subcommittee will receive a preview of the FY 2024-25 Mid-Year Budget Update scheduled for the City Council meeting of 2/18/25.

5. Next Sub-Committee Meeting Planning – March 2025

Discuss possible alternative dates for the March Subcommittee meeting.

6. Adjournment

Any records relating to an agenda item, received by a majority or more of the Council less than 72 hours before the meeting, shall be available for inspection in the City Clerk's Office, Room 209, 1400 Fifth Avenue, and placed with other agenda-related materials on the table in front of the Council Chamber prior to the meeting. Sign Language interpreters and assistive listening devices may be requested by calling (415) 485-3066 (voice), emailing Lindsay.lara@cityofsanrafael.org or using the California Telecommunications Relay Service by dialing "711", at least 72 hours in advance of the meeting. Copies of documents are available in accessible formats upon request. Public transportation

is available through Golden Gate Transit, Line 22 or 23. Paratransit is available by calling Whistlestop. Wheels at (415) 454-0964. To allow individuals with environmental illness or multiple chemical sensitivity to attend the meeting/hearing, individuals are requested to refrain from wearing scented products.



SAN RAFAEL
THE CITY WITH A MISSION

Agenda Item No:

Meeting Date: February 3, 2025

SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

**Prepared by: Shawn Plate
Finance Manager**

City Manager's Approval _____

TOPIC: VOTER-APPROVED TAX OVERSIGHT

**SUBJECT: VOTER-APPROVED TAX OVERSIGHT COMMITTEE ANNUAL REPORT FOR
FY2023-24**

RECOMMENDATION:

Accept the Annual Report from the Voter-Approved Tax Oversight Committee.

BACKGROUND

The Voter-Approved Tax Oversight Committee was formed in September 2022 to consolidate oversight of the City's voter-approved tax measures into one five-member committee. The committee provides independent oversight of all San Rafael voter-approved tax measures, Measures D, E, G, and R, to ensure the funds have been expended in accordance with the authorized purposes and prepares and submits to the City Council an annual report on the audited expenditures and revenues from each tax measure from the previous fiscal year.

At the meeting of October 24, 2024, the Committee received unaudited financial information for each of the voter-approved tax measures under its oversight purview. At their meeting of December 17, 2024, the Committee reviewed final, audited, FY2023-24 financial results for Measures D, E, G and R, as well as provided supplemental information responsive to requests made by the Committee at the October meeting. *Note: There were no changes to the financial statements related to any of the referenced funding sources between the unaudited data presented at the October 24th meeting and the audited financial information presented at the meeting of December 17, 2024.*

Furthermore, at their meeting of December 17th, the Committee considered a draft of its annual report to the City Council, as required by the Committee's charter, and approved the forwarding of their annual report to the City Council via this agenda item (See Attachment 1).

DISCUSSION

During the course of the Committee's review of the FY2023-24 financial information subject to the purview of the Committee, a number of comments and questions arose in relation to the Committee's Charter for which the Committee is seeking clarification from the City Council. Specifically,

FOR CITY CLERK ONLY

Council Meeting: February 3, 2025

Disposition: Accepted report

- 1) *Clarification of Committee responsibility related to General Tax measures (Measure E and Measure R).*

Resolution 15118, approved September 6, 2022, establishing the By-Laws for the current Voter-Approved Tax Oversight Committee provides that the Committee is responsible for, among other things, the review of collections and expenditures of the City's Transaction and Use Taxes (Measure E and Measure R). As these tax measures authorize the imposition of a general tax, revenues and expenditures related to these measures are tracked within the City's General Fund.

While the Committee has reviewed the amount of revenues collected each year from the City's two voter-approved Transaction and Use Taxes, with the exception of the portion of Measure E allocated each year, per City Council policy, for support of Essential Facilities, the Committee notes that it does not have the ability to monitor and report on the expenditure of funds provided by Measures E and R. These two funding sources support the General Fund budget and, as such, the City does not track expenditure of funds collected through Measures E and R separately from other General Fund revenue sources. In preparation for the Committee's role related to oversight of financial results for the 2024-25 fiscal year, the Committee is contemplating scheduling a special meeting to conduct a workshop on the City's General Fund budget.

Questions:

- How can the Voter-Approved Tax Oversight Committee best fulfill the requirements of its bylaws as it relates to review of expenditures supported by voter-approved General Fund revenues?
- Should the Voter-Approved Tax Oversight Committee Bylaws be updated to clarify such role, as intended by the City Council?

- 2) *Clarification of Committee's oversight role related to the City's voter-approved Paramedic Tax (Measure I).*

The current Voter-Approved Tax Oversight Committee was established in 2022, via Resolution 15118. This action effectively consolidated the role's of three precursor oversight bodies (Measure E, Measure D – Library, and Measure G – Cannabis), and added to the new Committee oversight responsibilities related to Measure R. At the time of the establishment of the current Voter-Approved Tax Oversight Committee there was no requirement for, nor oversight role established for Measure I, the City's voter-approved Paramedic Tax. While this tax is not specifically referenced in the Committee Bylaws, Resolution 15118 as well as the Committee bylaws state that the purpose of the Committee is to review the collection and expenditure of voter-approved tax revenues collected under the authority of voter-approved City tax measures

Question:

- Should the Voter-Approved Tax Oversight Committee have any oversight responsibilities related to Measure I – Paramedic Tax?.

- 3) *Potential role of existing Voter-Approved Oversight Committee related to recently approved parcel tax for construction of new library and community center (Measure P).*

Resolution 15188, approved on September 16, 2022, which established the current Voter-Approved Tax Oversight Committee, includes a provision whereby the City Council, "Appoints the Voter Approved Tax Oversight Committee as the independent oversight committee over all other voter approved City tax measures that may hereinafter be enacted, except where otherwise expressly specified." At the general election of November 5, 2024 San Rafael voters passed Measure P that establishes a new voter-approved special tax for the purpose of construction of a new main library and expanded Community Center,

Question:

- *Does the City Council intend to have the existing Voter-Approved Tax Oversight Committee fulfill the independent oversight responsibilities required by Ordinance 2044, establishing the Measure P parcel tax?*

ANALYSIS

Measure D: Library Parcel Tax

In 2016, San Rafael voters renewed an annual parcel tax to fund opening hours and services for the San Rafael Public Library. As a special-purpose tax, the revenues from Measure D can only be spent for library services in San Rafael to maintain hours of operation and provide services, equipment, programs and materials at the San Rafael Public Library. Measure D is scheduled to expire in 2027.

The audited financial statements for FY 2023-24 report Measure D revenues of \$1,183,140, expenditures of \$1,164,340, and an ending fund balance of \$852,746. The accumulation of fund balance is a result of two primary factors over the life of the tax: vacant staff positions funded by the Parcel Tax, and the growth of small amounts being underspent in various line items over the life of the tax.

The audited capital set-aside fund balance was \$100,338. This capital set-aside was earmarked for new and improved library facilities as directed by the City Council as part of the previous Measure C, and was capped at \$500,000.

Measure G: Cannabis Business Tax

In 2018, San Rafael voters approved Measure G, a business excise tax on cannabis businesses. Measure G allows for a tax on cannabis businesses operating in the City of up to 8% on gross receipts, and taxes different types of businesses at different rates. Current rates can be found on the [City's website](#). Measure G funds can be used for a variety of purposes, including police and fire services, street repair and improvements, and enhancing community centers. Measure G does not have an expiration date.

During FY 2023-24, total revenues reported in the Measure G Fund (216) were \$237,420, including \$215,231 in tax revenues and \$22,189 in interest earnings. Expenditures charged to Measure G for the fiscal year totaled \$117,023. The decrease in Measure G revenues from FY 2022-23 to FY 2023-24 can be attributed to ongoing challenges in the cannabis market as well as the temporary decrease in the cannabis tax rate from 4% to 2% for delivery non-storefront license types, effective [January 1, 2023](#). For FY 2024-25, staff have budgeted for \$225,000 in Cannabis Industry Tax revenues and \$170,386 in expenditures.

On [January 27, 2023](#), the San Rafael City Council committed the majority of the existing fund balance of \$968,251 to support the pilot Specialized Assistance For Everyone (SAFE) Team, which began in late FY 2022-23. The program has been initially supported using funds from the City's opioid

settlement and grant funds, after which cannabis tax revenues are being utilized. Staff plan to return to Council at mid-year based on actual program needs and adjust transfers out to support the program's operations.

Measure E: Essential Facilities Transactions and Use Tax (0.75%)

San Rafael voters passed Measure E in 2013. Measure E is a three-quarter cent general purpose transactions and use tax that supports essential facilities in San Rafael, including making critical improvements to our public safety facilities in San Rafael. Construction of the Public Safety Center was completed in 2020, and a variety of other facility construction and improvements are underway. Measure E is scheduled to expire in 2034.

During FY 2023-24, a total of \$14,361,735 of Measure E revenues collected by the City. The majority of Measure E tax proceeds (\$9,574,490) are considered discretionary general fund revenues. This funding makes up a significant portion of the City's General Fund revenues supporting general government, public safety, community development and library/recreation programs and services. The City does not track expenditures specific to Measure E revenues collected within the General Fund.

For FY 2023-24, \$4,787,245 in tax proceeds (one-third) represents funding earmarked for essential facilities. A majority of the funds allocated for essential facilities are utilized to pay debt service for the Public Safety Center, totaling \$4,398,250. Since debt service payments are presently budgeted within the General Fund, the remaining portion of Measure E funds earmarked for essentially facilities, net of debt service payments, are in turn transferred to the Measure E – Essential Facilities Fund (420). For FY 2023-24 a total of \$384,188 was transferred to the Essential Facilities Fund.

The FY 2023-24 budget included \$3,367,904 in Capital Project appropriations within the Essential Facilities Fund. Capital expenditures recorded at year-end totaled \$580,082, or \$2,787,822 below budget. Capital expenditures included funding to complete renovations at Fire Stations 54 & 55 as well as re-purposing of space within City Hall. The balance of funds are anticipated to be carried-over to complete projects identified in the Phase 1 Essential Facilities Master Plan.

For FY 2024-25, staff have budgeted for total Measure E revenues of \$14,520,000 based on projections from HdL. A transfer of \$353,500, net of debt service payments, is budgeted within the Essential Facilities Fund for FY 2024-25. The FY 2024-25 Capital Budget includes appropriations of \$858,961 to support ongoing projects as well as a new project to upgrade the Public Safety Building antennae and communications network.

In addition, per discussion at the Committee meeting of October 22nd, staff has include information related to the debt service schedule for the bonds being supported through Measure E. For more information related to the Measure E strategic plan approved by the City Council in 2015, see the following link:

<https://www.cityofsanrafael.org/documents/essential-facilities-strategic-plan-volume-1/>

Measure R: Transactions and Use Tax (0.25%)

Measure R was passed in 2020 by San Rafael voters. Measure R is a one-quarter cent general purpose transactions and use tax, often referred to as a local sales tax. Funds from this measure go to the General Fund and support a variety of City operations, including public works, recreation and library, administrative services, and public safety. Measure R is scheduled to expire in 2030.

FY 2023-24 was the third full fiscal year of Measure R tax receipts, during which \$4,713,640 of revenues were received. For FY 2024-25, staff have budgeted for \$4,840,000 in Measure R revenues based on projections from the City's sales tax consultants, HdL.

ATTACHMENTS:

1. Voter-Approved Tax Oversight Committee Annual Report (FY2023-24), dated December 17, 2024
2. Voter-Approved Tax Oversight Committee Bylaws

City of San Rafael
Voter-Approved Tax Oversight Committee (VATOC)
Annual Report
December 17, 2024

The City of San Rafael Voter-Approved Tax Oversight Committee met on December 17, 2024, and received a detailed report from City of San Rafael staff on the receipt and expenditure of funds during the fiscal year July 1, 2023 to June 30, 2024 pursuant to voter-approved Measure D (Library Parcel Tax), Measure E (Essential Facilities Transactions and Use Tax), Measure R (General Purpose Transactions and Use Tax), and Measure G (Cannabis Business Tax).

Voter-Approved Tax Oversight Committee is required to review the collection, expenditure, and prioritization of the use of these funds, and report to the City Council and the community annually on the expenditures under Guidelines and Policy adopted by the San Rafael City Council.

After review, the Voter-Approved Tax Oversight Committee finds that these funds were properly allocated in accordance with the Measures and approved guidelines.

Tracey Broadman

Charles 'Chuck' Friede



Caleb McWaters



Carsten Andersen



Stephen Roth



VOTER APPROVED TAX OVERSIGHT COMMITTEE BYLAWS

ARTICLE I. NAME AND PURPOSE

Section 1.1. Name. The name of this body shall be the City of San Rafael Voter Approved Tax Oversight Committee, hereinafter referred to as the “Committee.”

Section 1.2. Purpose. The Committee’s purpose is to review the collection and expenditure of voter approved tax revenues collected under the authority of voter-approved City tax measures and Resolution 15118 adopted by the San Rafael City Council on September 6, 2022.

Section 1.3. Committee Responsibility. The Committee’s authority is oversight only.

The responsibilities and duties of the Committee shall be limited to:

- 1.2 Review expenditures of Measure tax revenues to ensure the monies have been expended in accordance with the authorized municipal purposes of each Measure. To complete this review, the Committee shall:
 - 1.2.1 Understand allowable expenses of each existing Measure’s tax funds (as identified in the enacting Municipal Ordinance)
 - 1.2.2 Review documentation from City Council and from City Council-appointed advisory committees that pertain to the prioritization of use of each Measure’s tax funds.
 - 1.2.3 Review annual reports prepared by the City’s Finance Department that track the receipt and spending of each Measure’s tax funds.
 - 1.2.4 Prepare and submit to the City Council and the community an annual public report on the expenditures of each Measure’s tax revenues for the previous fiscal year.
 - 1.2.5 Fulfill the final responsibilities of each Measure’s responsibilities at the Measure’s termination, repeal or extension: Before submitting a final report: Review and report on the final expenditures of each Measure during the previous fiscal year, through its termination, to ensure that monies have been expended consistent with the authorized purposes of the Measure.

The Committee shall **not**:

1. Have any budgetary decision authority, shall not allocate financial resources, and shall not make budget or service recommendations to the City Council.
2. Have authority to direct, nor shall it direct, City staff or officials.

ARTICLE II. MEMBERSHIP

Section 2.1. Number of Members. The Voter Approved Tax Oversight Committee shall consist of five (5) voting members.

Section 2.2. Eligibility. Members of the Committee shall be at least 18 years of age and reside within the City limits.

Section 2.3. Appointment of Committee Members. Members shall be appointed by the City Council. Appointments shall be published on the website for the City of San Rafael in accordance with Government Code Section 54973, as amended from time to time.

Section 2.4. Terms of Appointment. Each member shall serve a minimum term of four (4) years. An effort will be made to ensure that the terms are staggered, and not all of the appointments expire in the same year.

Section 2.5. Term Limits. Members shall be limited to two (2) consecutive four-year terms. Additional terms may be served if there is a break between terms.

Section 2.6. Absence and Removal. An unexcused absence from two (2) consecutive Committee meetings without notification to the Staff Liaison will constitute an immediate vacancy and shall be considered a voluntary resignation from the Committee. Previously dismissed Committee members may be eligible for reappointment.

Section 2.7. Compensation. Members shall serve without compensation.

ARTICLE III. MEETINGS

Section 3.1. Time and date of Regular Meeting. Notification of meeting place, date, and time shall be rendered to the public through posting on the City of San Rafael website.