



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

**Prepared by: Claire Coleman
Senior Management Analyst**

City Manager Approval: _____

TOPIC: VOTER-APPROVED TAX OVERSIGHT

SUBJECT: VOTER-APPROVED TAX OVERSIGHT COMMITTEE (VATOC) ANNUAL REPORT

RECOMMENDATION:

Accept the Voter-Approved Tax Oversight Committee (VATOC) Annual Report as presented.

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. Members were interviewed and appointed to the Committee in late 2022. 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 to prepare and submit to the City Council an annual report on the expenditures and revenues from each tax measure's revenue from the previous fiscal year.

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 staff, provide, and maintain hours of operation, 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 2021-22 show Measure D revenues of \$1,110,180, expenditures of \$1,162,494 and an ending fund balance of \$788,903. An overview of the Measure D expenditures can be found in Attachment 2. 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 final audited capital set-aside fund balance was \$170,745. 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. The Measure C funds were utilized in the Albert Park Joint Library and Community Center conceptual design process, as well as surveys and an educational campaign to explore funding options for building a new library.

FOR CITY CLERK ONLY

Council Meeting: _____

Disposition: _____

Measure R: Transactions and Use Tax (0.25%)

Measure R was passed in 2020 by San Rafael voters. Measure R is a 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 2021-22 was the first full fiscal year of Measure R tax receipts, during which \$4,778,951 of revenues were received.

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

San Rafael voters passed Measure E in 2013. Measure E is a general purpose transactions and use tax that was directed towards supporting 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 2021-2022, a total of \$14,828,804 of Measure E funds were collected by the City. Per direction from City Council given to staff in early 2014, one-third of Measure E funds are dedicated to supporting essential facility construction and improvements, net of debt service. A total of \$714,885 was assigned to the Public Safety Facilities Fund this fiscal year.

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 2021-2022, \$557,407 of Measure G business tax proceeds were received and \$151,754 were expended. An overview of those expenditures can be found in Attachment 2. On [January 27, 2023](#), the San Rafael City Council committed the majority of the existing fund balance of \$968,251 to support the pilot Alternative Response Team (ART), beginning in FY 2022-23.

Further detail about all of the voter-approved tax measures, as well as the City's fiscal health, can be found in the [Annual Comprehensive Financial Report](#) available on the City's website.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDED ACTION:

Accept the Voter-Approved Tax Oversight Committee (VATOC) annual report for FY 2021-22.

ATTACHMENTS:

1. Annual Report

City of San Rafael
Voter-Approved Tax Oversight Committee (VATOC)
Annual Report
February 15, 2023

The City of San Rafael Voter-Approved Tax Oversight Committee met on Feb. 15, 2023, and received a detailed report from City of San Rafael staff on the receipt and expenditure of funds during the fiscal year July 1, 2021 to June 30, 2022 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.

Sierra Bloyd



Tracey Broadman



Charles 'Chuck' Friede



Caleb McWaters



Stephen Roth

